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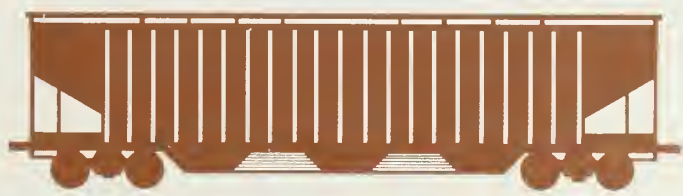
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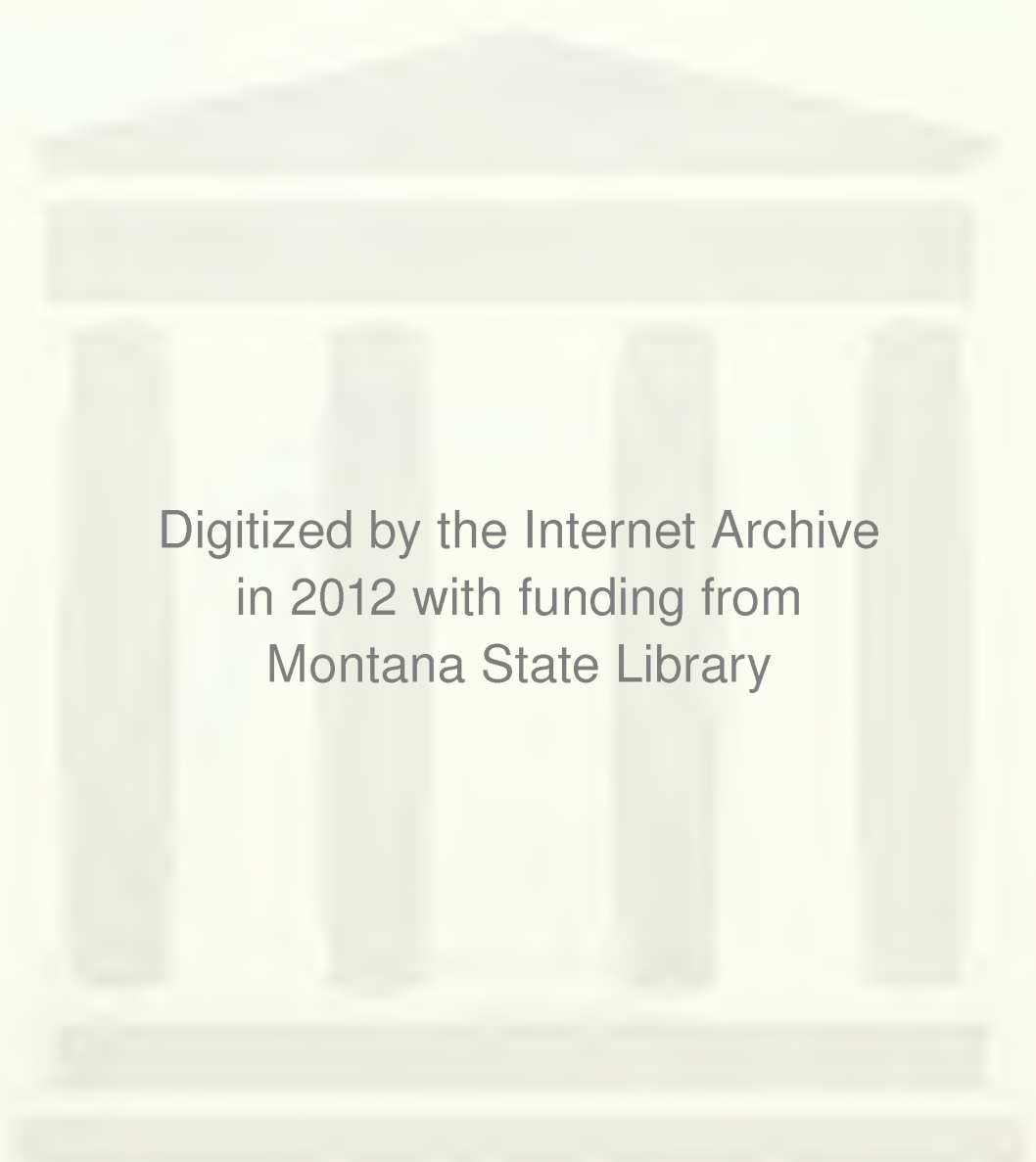
**Pursuant to Section 803 of the Railroad
Revitalization and Regulatory Reform Act of 1976**

Prepared by:

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**In Cooperation With
The Federal Railroad Administration
United States Department of Transportation**

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INTRODUCTION

The *1980 Supplement* to the *Montana Rail Plan* has been prepared pursuant to Section 803 of the Railroad Revitalization and Regulatory Reform Act of 1976. (4R Act). It directed that, as a prerequisite for eligibility to receive rail service assistance, a state shall establish "an adequate plan for rail services in such State as part of an overall planning process for all transportation services in such State, including a suitable process for updating, revising and amending such plan; and that such State plan is administered or coordinated by a designated State agency and provides for the equitable distribution of resources." (emphasis added)

Federal regulations require that plans be updated at least on an annual basis, and that such updates shall be subject to the same review, public participation, and approval procedures by the State and the Federal Railroad Administration as the original State Rail Plan.¹ Required contents include:

1. A response to unanswered FRA comments on previously submitted updates, revisions, amendments, or the original State Rail Plan;
2. An update of information in previous submittals which is no longer accurate as a result of plan implementation action by a governmental entity or railroad, or changed conditions;
3. For lines receiving rail service continuation assistance, inclusions of revenue and cost information from the past year's operating experience and a re-evaluation of service based on these new data;
4. Updating of the maps and descriptions required under paragraph (c) (2);
5. Analysis of any new projects developed by the State in accordance with paragraphs (c) (4), (5) and (6);
6. Changes in agency responsibilities and authority, including ability to provide the non-Federal share; and
7. Revisions in the State's policies, objectives or long-range expectations.

This document supplements the *Montana Rail Plan* prepared by the Rail Planning Unit of the Montana Department of Highways and dated August, 1979. This plan was approved by the Federal Railroad Administration on September 30, 1979. No previous updates, revisions, or amendments have subsequently been made to this plan.

¹49 CFR Part 266.17(d)

This report is comprised of three chapters. Chapter I updates the information contained in the State Rail Plan to reflect changed conditions. It includes an updating of information and descriptions required under paragraph (c) (2). Chapter II presents the findings resulting from the analysis of seven additional light density lines, each of which carries less than three million gross tons per mile per year. These findings are supplemented by the detailed assessments contained in Technical Appendix A. Finally, Chapter III provides an overall statement of Montana's short-range priorities for utilizing federal rail service continuation assistance to support essential light density rail line services in Montana.

Companion documents to this report include (1) *An Addendum to the Railplans of Montana, Minnesota, North Dakota, South Dakota* dated January, 1980 for a regional rail rehabilitation project between Jonathan, Minnesota and Miles City, Montana, and (2) a *Supplement to the Rail Plan Addendum*, dated August 1, 1980, providing a detailed analysis of a proposed rail rehabilitation project between Gascoyne, North Dakota and Miles City, Montana.

Several of the update requirements previously identified simply do not apply. Although Montana has received plan approval, the Department has not received any FRA comments even though such comments were indicated as forthcoming; hence no response is required in the absence of such comments. Montana does not presently have any lines receiving rail service continuation assistance; information relating to the revenues and costs of such operations is moot. There have been no significant changes in agency responsibilities and authority or State policies, objectives or long-range expectations; hence, a separate discussion of these topic areas is considered to be unnecessary.

I. UPDATE OF INFORMATION CONTAINED IN THE 1979 *MONTANA RAIL PLAN*

The objective of this chapter is to supplement the information contained in the 1979 *Montana Rail Plan* to reflect events taking place subsequent to the preparation of the initial plan. Most of the change taking place in Montana centers around the reorganization and retrenchment of the Milwaukee -- or the Chicago, Milwaukee, St. Paul and Pacific Railroad Company, as it is more properly known. Given the extensiveness and significance of Reorganization Court, Trustee, legislative, regulatory and other governmental agency actions during the past year, the Department would normally have responded with a totally revised State Rail Plan. However, since the final restructuring decisions were not made until August, 1980, the Department has elected instead to postpone the preparation of such a revised plan until 1981.

This chapter is divided into five sections. The first focuses on the Milwaukee situation. The second discusses the possibilities for rail banking the Milwaukee mainline right-of-way in Montana. The third describes changes which have occurred vis-a-vis rail passenger service. The fourth describes in detail the specific changes taking place on a line-by-line basis. Finally, the fifth section updates the maps and descriptions specifically identified in the Federal regulations.

A. On-Going System Adjustments

In a section entitled "Pending System Adjustments", the 1979 plan provided a rather extensive synopsis of actions taking place affecting the Milwaukee's Pacific Coast Extension.¹ This particular section simply extends the earlier presentation to cover events taking place between August, 1979 and July, 1980.

Montana's basic concern through this period was that of retaining competitive rail service. In 1977, the Burlington Northern accounted for about 92.5 percent of Montana's rail tonnage and 88.5 percent of the total freight revenues.² With the loss of the Milwaukee (and acquisition of selected traffic-producing Milwaukee segments by the Burlington Northern), the resulting domination has risen to approximately 97 percent of the total freight tonnage and revenues. One transportation firm consequently has achieved a near monopolistic control over the transport of Montana's coal, grain and lumber resources.

¹See the *Montana Rail Plan*, pages 51 - 65.

²Most of the intramodal competition that once existed was lost with the merger of the northern lines in 1971. Nowhere in the Northwest does one carrier dominate more than in Montana. Given the magnitude of the distances involved, intermodal alternatives (i.e. motor carrier services) do not exist to the same degree that occurs in other states.

On the other hand, the Trustee's basic objectives were to (1) abandon the Milwaukee's Pacific Coast Extension and (2) obtain approval of his reorganization plan converting the Milwaukee from a transcontinental carrier to a midwest railroad. The U.S. District Court overseeing the Milwaukee Reorganization and the Interstate Commerce Commission were the agencies having primary authority and responsibility in overseeing railroad abandonment and reorganization. Consequently, the actions taking place in the latter half of 1979 and in 1980 have largely centered around the abandonment of rail lines and services and approval of a reorganization plan for the bankrupt carrier. Both actions were highly interrelated and intertwined.

In response, Montana's actions have focused first on retaining the Milwaukee or its successor in the Northwest and, failing that, finding a replacement carrier for at least the portion of the Milwaukee located in Montana. Outright abandonment, with or without sale of the major traffic generating segments to the Burlington Northern, was simply unacceptable on account of the prospective elimination of what little competitive rail service still remained.

On August 8, 1979, the Trustee filed his application and notice of intent to abandon all lines and discontinue all operations west of Miles City, Montana (with the exception of trackage rights between Miles City and Billings, Montana) with the Commission. The lines to be abandoned, which constitute most of what is known as the Pacific Coast Extension, included 2,497.7 miles of solely or jointly owned rail line and trackage rights extending from Miles City west to Seattle, Washington and south to Portland, Oregon. In response to this application, the Commission conducted approximately eleven weeks of oral hearings during the fall of 1979 to gather evidence from all parties and to provide opportunities for cross-examination.¹

On August 10, 1979, the Trustee filed his long-awaited reorganization plan with the U.S. District Court which called for the abandonment of about 6,400 miles of Milwaukee's 9,800 miles and the eventual elimination of 4,000 (out of 10,500) employees. The Trustee's objective was to identify a core system which could be operated profitably.

¹The applicant presented its case and responded to general clarifying questions at the primary hearing in Butte, Montana during the week of September 10, 1979. Cross-examination of the applicant's witnesses was conducted September 24 - 28, 1979 at the primary hearing in Chicago, Illinois. One-week public hearings for the purpose of providing an opportunity for concerned individuals and companies to testify regarding the public need for Milwaukee services were held during the period of October 2 - 12, 1979 in Butte, Great Falls, and Missoula, Montana and three other locations outside of Montana. The primary hearing reconvened for two weeks commencing on October 15, 1979 for testimony by and cross-examination of protestant's witnesses, and the applicant's rebuttal. On November 1, 1979, a hearing was held in Washington, D.C. for the purpose of examining ICC staff who had prepared the draft Environmental Impact Statement.

In the aftermath of an earlier attempt by the Trustee to discontinue rail service on portions of the Milwaukee system due to a lack of operating funds, a group of shipper and employee interests agreed to form a Washington-based, non-profit corporation known as the "New Milwaukee Lines" (NewMil) to serve as a mechanism for putting together a new railroad corporation. During the fall and winter of 1979-80, this organization received strong Montana support and encouragement. Its objective was to ensure continued, competitive rail service in all regions currently served by the bankrupt Milwaukee. In September, SORE (Save Our Railroad Employees) and NewMil each filed a preliminary plan of reorganization for the Milwaukee's estate with the U.S. District Court. SORE's plan proposed a reorganized system operating the Milwaukee's lines west from the Twin Cities to the West Coast. NewMil proposed a configuration stretching west from Louisville, Kentucky. Each plan was filed under substantial time pressure and recognized the need for subsequent development and amendments.

Because of the magnitude and complexity of the problems facing the Milwaukee and the public it serves, and because of the perceived inadequacy of normal abandonment and reorganization procedures, considerable pressure was exerted on Congress to provide a more appropriate means for restructuring the Milwaukee. Many legislators felt that the option of an employee or employee/shipper-owned railroad needed to be considered and analyzed more fully. A second issue was the magnitude of the labor protection claims upon abandonment or embargo. A third issue was the taxpayer cost of directed service over embargoed lines and the fact that this action would only postpone the day of total cessation of rail service.¹ Congress passed the Milwaukee Railroad Restructuring Act (MRRA) on November 2, 1979 and the President signed the Act into law on November 4, 1979. The legislation directed the Commission and the U.S. District Court to give prompt and expeditious consideration to a plan for saving the railroad by reorganizing the Milwaukee into an employee/shipper-owned carrier operating a restructured and self-sustaining system. The statute provided funding to keep the entire railroad operating during the period required for consideration of this alternative and granted the reorganization court sweeping powers to quickly approve abandonments on all lines not included in the employee/shipper-owned system. If the resulting plan was not approved by the Commission and the Court, the Act precluded any directed service on the Milwaukee system until April 1, 1981. The Act included a series of tight deadlines which had to be met by the principal parties.

On December 1, 1979, the NewMil filed its competing employee/shipper ownership plan for the reorganization of the Milwaukee Railroad with the Commission and Reorganization Court. The plan proposed that a new employee- and shipper-owned corporation be formed to operate a scaled-down system amounting to approximately half of the Milwaukee's total route

¹Because of anticipated Congressional action, no directed service orders were instituted to soften the November 1 embargo authorized by the District Court. A temporary embargo did, in fact, occur.

mileage. The new railroad would extend from the northwest ports of Seattle, Tacoma and Portland across the transcontinental mainline through the Twin Cities to Milwaukee, Chicago and Louisville, Kentucky. The plan proposed acquisition of all of the Milwaukee Road's present equipment and locomotive fleets; an immediate return to normalized track and equipment maintenance; implementation of a seven-year program to acquire more than \$540 million worth of modern freight cars; and a track rehabilitation program estimated to cost approximately \$211 million. Necessary working capital was to be raised by shipper investments of \$10 million, and a loan of \$15 million to be raised by creation of an employee stock ownership plan. The plan also called for the new company to take on approximately \$120 million of new federal debt in order to fund portions of the rehabilitation program. The plan encompassed commitments from rail labor to participate in a task force program to negotiate changes in the new system's operating practices. These changes, when coupled with the employee stock ownership program and the physical rehabilitation of the plant, were expected to result in significant improvements in labor productivity.

On December 31, 1979, the Commission rejected the NewMil plan because it lacked adequate financing, was not financially equitable to the Milwaukee Road's estate, and could not be made self-sustaining. At the same time, the Commission reaffirmed the need for rail competition across the northern tier of states.

In January, 1980, the Commission agreed to reconsider a modified plan. On January 17, 1980, NewMil filed a revised plan which increased the amount of private financing available to the new system. Montana continued to support NewMil's efforts directed towards reorganizing the Milwaukee, even though State officials had increasing reservations whether these efforts would ultimately be successful, given initial rejection by the Commission and continuing opposition by the Federal Railroad Administration.¹

Even before the Commission had reached its initial findings and recommendations, State officials recognized the possibility that NewMil's plan might not be approved and some type of fall-back position was essential. Based upon an early expression of interest, Montana encouraged

¹Earlier in 1979, FRA had commissioned a series of studies to evaluate the various reorganization plans being proposed. On August 9, 1979, the Department released its findings. One study concluded that the SORE proposal "as presently constituted . . . cannot initially and never will achieve self sustainability." Another found that even with \$136 million worth of rehabilitation, the line could still lose up to \$21 million in 1986 (under the most optimistic scenario of significantly increased business, the study found the line might reap a profit of \$5 million in 1986). USDOT's position was that keeping the western lines operating with federal assistance either as part of the Milwaukee system or as an independent corporation owned by railroad employees "would be inconsistent with the weight of sound economic policy and would be an unjustifiable burden on the nation's taxpayer."

PLM, Inc., a San Francisco-based car leasing firm, to develop and present for public consideration a plan for retaining competitive rail service on Milwaukee lines in Montana, Idaho and eastern Washington. The PLM's proposal (December, 1979) concluded that continued operation would be feasible if rehabilitated and operated in a lean, efficient fashion.¹

On January 29, 1980 the Commission recommended that the Trustee should be permitted to abandon all lines and discontinue all operations west of Miles City, Montana (with the exception of trackage rights between Miles City and Billings, Montana), but that abandonment authorization should be withheld and the sale of lines or removal of rails, ties and track structures should be precluded pending disposition of a reorganization plan.² The Commission further recommended that the Trustee should be precluded for a reasonable period following abandonment from selling, leasing, exchanging, or disposing of the track, structures, right-of-way underlying the track, all bridges, and all culverts unless the property has first been offered, upon reasonable terms, to public authorities or other responsible persons interested in acquiring the property for public use. (In the event that two or more public use bids were submitted, priority consideration should be accorded first to continued rail operation, second to rail banking, and third to non-rail public use.) The commission expressed its great concern about the competitive effect of the Milwaukee's abandonment which would leave the Burlington Northern in a monopolistic position in many areas of the Northwest and, at the same time, stressed the importance of intramodal competition in ensuring economical transportation.

During 1978 and 1979, the Trustee periodically undertook negotiations with other railroads and firms interested in purchasing portions of the Milwaukee trackage west of Miles City.³ In late January, the Burlington Northern placed considerable pressure on the Milwaukee Trustee to conclude the pending agreement for the transfer of selected segments to that railroad. The Trustee, recognizing that the sale of these segments would foreclose the larger sale of Milwaukee properties over which competitive rail service could be conducted, inquired as to Montana's interest in acquiring the lines between Miles City, Montana and Marengo, Washington. On January 25, 1980, tentative agreement was reached with the Trustee, whereby Montana would acquire the Milwaukee properties for \$55 million provided that funding could be secured for this purpose, final negotiations be concluded by March 1, and Montana withdrew its support of the NewMil proposal. The latter condition could not be met for political reasons, at least until the

¹Essentially as a short-line railroad with a limited workforce and revised work rules.

²Section 5 of the MRRA transferred final jurisdiction over Milwaukee abandonments from the Commission to the U.S. District Court overseeing the Milwaukee reorganization. The Commission was directed to present its findings and recommendations no later than January 31, 1980. Docket No. AB-7 (Sub. No. 86F).

³For example, the Union Pacific expressed interest in acquiring Milwaukee trackage between Manito and Plummer Jct., and the Potlatch Corporation in purchasing the mainline between Plummer Jct. and Avery and the branchline between St. Maries and Bovill.

Commission had ruled for the second time on NewMil's reorganization plan (expected in mid-February); consequently the agreement was never executed. (However, the Trustee in February did extend portions of the earlier purchase offer to Montana). Exhibit I illustrates the lines offered by the Trustee to Montana.

On February 1, 1980, Governor Judge forwarded to the USDA - FmHA and USDOT - FRA an application to provide for the acquisition and rehabilitation of Milwaukee lines in Montana, Idaho and eastern Washington.¹ Under the application, the State of Montana would acquire title to the rail properties between Miles City, Montana and Marengo, Washington. A Montana-based, non-profit corporation would be established to oversee the acquisition and rehabilitation financing and the general operation of rail lines acquired by the State.² To do this, the corporation would execute a lease-purchase agreement with a qualified operator selected on the basis of available investment capital and railroad operating experience to provide the required rail services and eventually acquire the property from the State. Montana ownership of railroad operating properties was viewed as an expedient solution to an immediate problem and not an end in itself.

¹The financing package sought consisted of (a) a direct USDA - FmHA loan for \$55 million at five percent interest payable over a ten-year period to be used to acquire the lines, (b) a USDA - FmHA guarantee covering the repayment of a \$25 million loan to be made to the to-be-selected carrier for rehabilitation purposes using funds raised by revenue bonds. In addition to this funding, Montana expected to utilize for rehabilitation purposes (a) \$14 million in Section 803 (4R Act) funds anticipated as being available to Montana and Idaho over the next five years and (b) \$16 million in venture capital to be raised by the Montana Railway Corporation and the to-be-selected carrier.

²The Montana Railway Corporation was incorporated on February 28, 1980 for the purposes of (a) providing for the continuing operation of the rail lines in Montana presently and commonly called the "Milwaukee Railroad"; (b) negotiating the acquisition and acquisition financing; negotiating the rehabilitation financing and the loan repayment schedule; overseeing, in a general way, the continuing rail operation of the Milwaukee lines to be acquired by the State of Montana, until the acquisition and rehabilitation loans have been fully repaid; (c) selecting the most qualified and capable operator and executing an appropriate lease-purchase agreement to provide for the operation and ultimate transfer of the lines; (d) providing an acceptable conduit for raising the private venture capital initially required for working capital, equipment, locomotives and rolling stock, and track rehabilitation beyond that reasonably provided by the selected operator; and (e) providing continuing fiscal and operational monitoring to ensure that Federal / State loan/grant monies are wisely spend and that the operation is providing adequate service and meeting the needs of shippers located along the acquired lines.



— EXHIBIT 1 —

- MONTANA RAILWAY CORPORATION
- - - TRACKAGE RIGHTS (MRC)
- TRACKAGE RIGHTS (MILW)
- . - . - . CONNECTING CARRIERS

In late February, Montana invited expressions of interest and then proposals from qualified organizations to operate (and ultimately acquire) Milwaukee lines between Miles City, Montana and Marengo, Washington. In the end, three firms or organizations submitted proposals. However, no operator was selected at that time.¹

On February 29, 1980, acting upon the Trustee's recommendation, the Reorganization Court embargoed Milwaukee operations west of Miles City, Montana. Continuation service between Miles City and Missoula was provided by the Milwaukee for the period of March 1 - 23, 1980 through limited financing available under the Emergency Rail Services Act of 1970.

On March 11, 1980, the Trustee withdrew his sales offer to Montana and announced an Agreement dated March 10, 1980 for the sale of selected segments to the Burlington Northern.² In addition to transferring the identified properties, subject to Reorganization Court and Commission approval, Burlington Northern agreed to provide interim service effective March 24, 1980. During the period of interim service, the Milwaukee receives no rent for the BN's use and operation of the properties and all operating expenses and capital costs, if any, are borne by the BN without recompense or claim against the Milwaukee, and without any lien or security interest in the properties as a result of such actions. The Reorganization Court approved the Agreement on March 20, 1980, subject to approval by the Commission. Montana opposed this action as not being in the public interest (primarily because of the loss of competitive rail services) and premature until the Commission had issued its findings and recommendations on alternative reorganization plans.

¹In reviewing the applications, sizeable discrepancies in revenues and traffic were discovered which necessitated the preparation of independently-derived, detailed revenue and cost estimates to be used as a basis for judging potential applicants. Hence operator selection was postponed until after this estimate had been prepared.

²The \$21 million Milwaukee - Burlington Northern Agreement included Milwaukee properties in Washington, North Dakota, and Minnesota in addition to those being sought by Montana. The Agreement covered Milwaukee trackage at Bonner, Missoula, Schilling, and Great Falls, the mainline between Butte and Newcomb, the joint trackage between Choteau and Eastham Jct., Emerson Jct. and Vaughn, and Lewistown and Spring Creek Jct., and the branchlines between Eastham Jct. and Fairfield, Great Falls and Loy Spur, Spring Creek Jct. and Geraldine, Lewistown and Moore, and Lewistown and Heath. The reasoning used by the Trustee was (a) a cash-in-hand offer of the BN versus the uncertainty involved in Montana obtaining the necessary financing, (b) continuity of service for most users versus the gap in service which would occur with the startup of a new rail operation, and (c) the expectation that the estate would eventually realize \$55 million or more in contemplated sales in Montana, Idaho and Washington.

On March 19, 1980 the Commission announced its long-awaited findings and conclusions.¹ The Commission felt compelled to disapprove the reorganization plans submitted by the Trustee, NewMil, and the liquidation plan submitted by the Chicago Milwaukee Corporation. The Commission felt that both restructuring plans would not create a viable railroad or fairly and equitably treat the Milwaukee estate. In rejecting both reorganization plans, the Commission did not conclude that liquidation was an appropriate solution. The Commission stressed that the goals of any reorganization plan should be maximizing rail service and assuring fair and equitable treatment of the estate. The Commission concluded that the liquidation plan advanced did not begin to meet the explicit requirements and implicit objectives of the Federal Bankruptcy Act and would blindly dismantle the Milwaukee system with no more than passing consideration for continued service. The Commission did, however, retain jurisdiction to receive new or amended proposals to encourage continued movement toward a Milwaukee restructuring supportive of the public interest.

Under the MRRA, the appropriate bankruptcy court may, with Commission approval, authorize the sale or transfer of a line operated by a railroad undergoing reorganization under Section 77 of the Bankruptcy Act. Therefore, the Commission must act on any sale or transfer application within the time fixed by the bankruptcy court, but no later than 180 days from the date the application is filed. The Commission can approve, modify, condition or disapprove any application, with or without hearing. On January 23, 1980, the Commission issued special procedures to act on applications for the sale or transfer of lines of the Milwaukee and other bankrupt carriers on an expedited basis.²

On May 15, 1980, the Burlington Northern filed an application with the Commission for authority to permanently acquire and operate the Milwaukee segments identified in the March 10, 1980 Agreement between the Milwaukee and the Burlington Northern. In approving the application, the Reorganization Court directed that the Commission act on the Burlington Northern application within 90 days after the filing was complete. The Commission accepted this application on May 23, 1980.

On May 28, 1980, Montana filed its application for authority to acquire and operate those rail lines extending from Miles City, Montana to Marengo, Washington presently owned by the Milwaukee. The stated purposes of the proposed transaction were to (1) retain competitive rail service, particularly in Montana; (2) preserve rail-oriented jobs; (3) create new employment opportunities; and (4) serve the public interest. Retention of competitive rail service was and is considered to be particularly important in the future when substantial additional coal resources

¹The Commission's findings were originally expected in mid-February and were later postponed to the end of February and then to the middle of March.

²Interstate Commerce Commission, "Acquisition Procedures for Lines of Railroads in Reorganization," Ex Parte No. 282 (Sub. No. 4), January 23, 1980.

are expected to be mined in southeastern Montana to supply electric power generation needs in the upper Midwest and the Pacific Northwest. In addition to the basic application, several exhibits were revised and additional exhibits included in an "Amendments to Application" dated June 12, 1980. On June 20, 1980, the Commission accepted Montana's application for consideration concurrently with the Burlington Northern's application.¹

Since Montana had not received a response to its February 1, 1980 application to USDA - FmHA and USDOT - FRA, follow-up discussions were held with Federal officials during early June. It became rather apparent that USDA - FmHA simply did not have the funding available for the requested \$55 million direct loan. Consequently, applications for \$18 million in redeemable preference share financing and \$32 million in federal guarantees of commercial loans were prepared and filed with the Federal Railroad Administration on June 12, 1980.² The requested amount of the February 1, 1980 USDA - FmHA application was reduced to \$5 million in an amended application dated June 11, 1980.

Thus, the future of competitive rail service between Miles City and Marengo became largely dependent upon the Commission's decision on competing or inconsistent applications, a decision as to which carrier could best serve the public interest and thus be authorized to acquire and operate Milwaukee segments on a permanent basis. Montana anticipated that no action would be taken on its several funding applications until this decision was reached.

The Trustee, the Reorganization Court, and the others then took actions which made it virtually impossible to conclude an agreement for the transfer of the rail properties to Montana

¹On June 10, 1980, the Union Pacific Railroad Company and the Oregon - Washington Railroad and Navigation Company filed an application for authority to purchase certain properties of the Milwaukee located in Washington and Idaho. Since this application was inconsistent with Montana's application, the Commission indicated that it would consider this application concurrently with the other two. A further complication was the Potlatch Corporation's May 1, 1980 agreement with the Milwaukee to acquire Milwaukee properties between Bovill and St. Maries and Avery and Plummer Jct. Even though the Reorganization Court approved this sale, Montana appealed the court decision on the grounds that it exceeded the authority granted to the Court under the MRRA. Potlatch, which has contracted out operations to Kyle Railways of San Francisco, California, will operate the Plummer Jct. - St. Maries - Bovill portions as a common carrier (the St. Maries River Railroad) and the St. Maries - Avery segment as a private logging railroad. On May 24, 1980 Potlatch applied for and received temporary authority to operate over the lines acquired from the Milwaukee pending the filing of an appropriate Application for Public Convenience and Necessity.

²Submitted pursuant to Section 505 of the RRRRA (as modified by Section 24 of the MRRA and Section 112 of the Rock Island Railroad Transition and Employee Assistance Act of 1980) and Section 511 of the RRRRA, respectively.

or to protect the integrity of the Milwaukee's track structure prior to the then expected August, 1980 decision by the ICC.¹ Unfortunately, Montana did not have the immediate fiscal resources to effectively stop this deliberate action taken by the Trustee and the Reorganization Court in spite of the Commission's strong desire that public agencies be given first crack at acquiring abandoned Milwaukee properties. Montana officials concluded that it was futile to continue their efforts to reorganize Montana's Milwaukee system in light of these circumstances. Other contributing reasons included (1) the lessening viability of the proposed rail operation; (2) the lack of an operator; (3) inability to locate private financing beyond that presently identified and available; (4) potential loss of available federal rail assistance funding; and (5) the unavailability of fiscal or staff resources needed by the Department of Agriculture to continue its efforts to retain competitive rail service.

On August 22, 1980, the Commission approved the sale of Milwaukee properties in Montana, Idaho, and eastern Washington to the Burlington Northern and Union Pacific Railroads.² No action was taken on the competing application filed by the Montana Railway Corporation.³ The Commission concluded that Montana had not presented sufficient evidence as to its ability to provide adequate service to support a finding that its proposal was in the public interest.⁴

¹A favorable decision by the ICC coupled with the approval of requested loans from the FRA and the FmHA is moot when the rail infrastructure has been severed or removed.

²Interstate Commerce Commission, *Decision, Finance Dockets 29328, 29303 (Sub-No. 1), 29370, and 29402*, August 22, 1980.

³In not reaching a decision on Montana's application (Finance Docket 29303), the Commission stated that it "did not wish to preclude the Reorganization Court from having the opportunity to examine a more complete and certain MRC [Montana Railway Corporation] proposal and for that reason do not disapprove it." While noting that the public interest would be served should MRC be successful in removing present uncertainties and should MRC be able to provide service substantially as proposed, the practical effect of this referral is nil, given the long-held intention of both the Trustee and the Reorganization Court in consummating the sale of Milwaukee properties to the Burlington Northern and Union Pacific.

⁴The Commission noted three main deficiencies in Montana's application. First, the State did not demonstrate an ability to pursue its proposal further, noting that the lack of committed funding was the most serious obstacle and that the lack of an operator prevented the Commission from being able to determine whether that operator was capable of providing adequate service. Second, the Commission felt that the financial projections were subject to question and did not provide sufficient basis upon which to find Montana's proposal feasible. Third, the unavailability of the needed property, including the unwillingness of other railroads to grant necessary trackage rights to Montana, was a serious obstacle.

Final approval of the Burlington Northern purchase by the Reorganization Court is expected on or about September 15, 1980.

Montana's withdrawal from the Milwaukee restructuring activities west of Miles City does not mean abandonment of its quest for competitive rail service in the state. Such service is particularly important in view of anticipated coal production from the Ashland - Birney area. Montana will continue to do all it can to retain both east- and west-bound competitive rail service at Miles City to ensure the marketability of Montana-produced coal.

In another and related area, the Trustee concluded that additional revenues were required to sustain rail service on the Milwaukee's main line between Jonathan, Minnesota and Miles City, Montana. While primarily an immediate problem for North and South Dakota and Minnesota, any long-term loss of rail service on this line would virtually eliminate any possibility for competitive rail service for Montana coal moving to midwest markets.¹ A 10 mph slow order was imposed on several segments, one of which is between Baker and Miles City, Montana. The Federal Railroad Administration indicated that it expects the affected states to furnish a portion of the funding required to rehabilitate this line (along with Section 505 funding to be supplied by the FRA).

Montana is supportive of the actions taken by FRA and other states to improve the former Milwaukee main line east of Miles City for the continuation of rail service on a permanent basis. To this end, Montana has agreed to participate with North and South Dakota in a \$2.5 million project to rehabilitate the Milwaukee main line between Gascoyne, North Dakota and Miles City, Montana.² The project, which is designed to eliminate existing slow orders and track safety violations, will provide for the continued east-bound movement of wheat over the short term. A longer range solution for the entire Jonathan, Minnesota - Miles City, Montana line entails substantial further rehabilitation using Section 505 funding.

B. Railbanking the Milwaukee Right-of-Way

In discontinuing its efforts to retain competitive rail service in Montana, a commitment was made to investigate the concept of railbanking portions of the Milwaukee's mainline to (1) ensure that competitive rail service could be reinstated, if needed in the future to provide west-bound competitive rail service to the coal industry and (2) reduce potential disruption and negative impacts occurring from heavy coal train movements along the Burlington Northern's southern transcontinental route.

¹At the present time, the line is used primarily for unit train operations between Gascoyne, North Dakota and the Big Stone Power Plant located near the South Dakota - Minnesota border. The line would also be used for routing a portion of Burlington Northern's unit coal train traffic to Columbia and Weston Spur, Wisconsin, agreed to between the BN and the Milwaukee in the March 10, 1980 Agreement.

²See the Supplement to the *Rail Plan* Addendum submitted to the Federal Railroad Administration by Montana, South Dakota and North Dakota, August 1, 1980.

The concept underlying railbanking is government acquisition of the rail right-of-way, either by itself or with the track structure, for the purpose of protecting the integrity of the right-of-way pending future re-use. Unless positive action is taken to acquire the assets involved, railroads normally salvage or scrap the track materials and dispose of the property in a piecemeal fashion. If this is allowed to happen, then the possibility of its future use for transportation purposes is effectively foreclosed.

At the present time, Montana does not have the statute authority or funding needed to acquire and preserve Milwaukee right-of-way for railbanking. Both enabling legislation and an appropriation would be required. Action could be taken to request legislative consideration if a major portion of the acquisition funding required could be obtained through the Federal government. Unfortunately, the Federal government does not presently have funds which can be used for railbanking purposes, although the Montana delegation is presently seeking such an appropriation.

Railbanking is essentially a gamble, and state action should be guided by the results of a carefully constructed risk assessment which includes sensitivity analyses. Such an assessment has not been performed. Railbanking costs and benefits should be determined both in their totalities over a period of time and in their effects on the principal actors, which include (1) the State of Montana, (2) the coal companies, (3) the Burlington Northern, and (4) the competing carrier.

A large portion of the risk involved is borne by the state government, which is typically called upon to fund the initial acquisition as well as to administer and maintain the properties during the intervening time period.¹ These costs are substantial; acquisition of right-of-way and trackage between Miles City and Silver Bow (369 miles) could cost millions. Ownership costs vary, depending upon whether the track structure remains in place or not. With track, some periodic inspection and maintenance activities are advisable. There is also the question of liability and policing to prevent vandalism and gross misuse of the property. Monetary returns to the state can come from (1) later resale of the property to an operating railroad; (2) salvage of track materials and structures and sale of the right-of-way to others, if not needed for rail transportation purposes, and (3) other benefits, including lessened impact on existing communities brought about by splitting coal traffic between two routes.

The ultimate beneficiaries are the coal companies, which conceivably could enjoy an enhanced business and lower unit train rates brought about by competition for the coal transport business. A key determination is whether the projected difference in coal production and

¹Typically, very little is spent in maintaining railbanked track; track conditions are usually allowed to go downhill in the expectation of eventual rehabilitation.

rail rates (with and without competition) offsets the acquisition and maintenance expenses involved and the degree to which the coal companies would be willing to participate in these expenses.

Railbanking a parallel line simply for the purpose of providing competitive rail service at some future point in time is usually more capital-intensive than focusing investments on maintaining a single line. Overall rehabilitation and maintenance costs tend to be higher, especially if the traffic moving over both lines could be readily handled by one line.

Beyond the economic issues involved, another key issue is present ownership of the right-of-way. If all parcels were owned outright by the Milwaukee, then there would be little problem. If the railroad simply has an easement over major portions of the right-of-way, then a determination has to be made on a parcel-by-parcel basis whether in fact the easement can be transferred to a new owner or whether the easement ceases with termination of rail service and the parcel then reverts back to the previous owner. If the latter occurs to any extent, then railbanking may simply not be practical. All of this requires title searches to determine the degree to which transferable right-of-way does exist. Such investigation has not been done. Experience with previously abandoned Milwaukee lines in Montana is not all that encouraging.

Railbanking is often not very popular with abutting landowners who are afraid of potential misuse of the right-of-way spilling over onto their property or who foresee other public uses for the right-of-way with which they do not agree. While the Milwaukee has not paid property taxes for a number of years, railbanking also forecloses future taxation of the property, a situation not popular with local taxpayers.

Thus, no final decision can be made at this time whether to attempt to railbank all or a portion of the Milwaukee mainline in Montana. Such a decision has to be made by the end of the next legislative session at the latest, as the Trustee obviously wants to scrap out or salvage the track materials and dispose of the property as quickly as possible. It may already be too late. It essentially is a public policy question centering around the expectation of future public benefits in return for an immediate public investment. Much depends upon the attitudes and support of the coal companies - - unless there is strong support, then it makes little sense to pursue railbanking. Such interest has yet to materialize.

C. Changes in Passenger Service

In October, 1979, the National Rail Passenger Corporation (Amtrak) discontinued transcontinental east-west service across southern Montana via Billings and Butte, which had been provided on a three-day-per-week basis. At the same time, transcontinental east-west service on the northern route was reduced from four to three trains per week. These changes were in response to the Amtrak Improvement Act of 1978; last-minute efforts to save the North Coast

Hiawatha were unsuccessful. The overall effect of these changes was to cut rail passenger service in Montana by over half.

D. Specific Changes Taking Place on a Line-by-Line Basis

Table 1 presents the current status of light density lines for which detailed assessments were completed in 1979 for the initial *Montana Rail Plan*.

In addition to the changes indicated on the table, the Trustee filed an abandonment application for the Milwaukee's main line west of Miles City, Montana on August 8, 1979. This application was approved by the Commission on January 29, 1980 using Emergency Rail Service Assistance funding; such service extended only as far west as Missoula. Interim service was provided by the Burlington Northern to former Milwaukee main line shippers located at Butte, Deer Lodge, Schilling, Bonner and Missoula pending final Commission approval of the sale of selected segments of the main line to the Burlington Northern.

On August 22, 1980, the Commission approved the sale of the selected main line segments to Burlington Northern, Incorporated, finalizing the restructuring of Milwaukee trackage in Montana.

No other changes have taken place on other Class I carriers in Montana. As a consequence of termination of rail service on the Milwaukee's main line, the White Sulphur Springs and Yellowstone Park Railroad lost its connection with the nation's rail system and thus was forced to suspend rail service and sell its track properties for salvage.

E. Update of Maps and Descriptions

Federal regulations require updates to include:¹

“... an illustration of the State's entire rail system on suitable scale maps of the State highway system (such as a reduction of the County Highway Planning Series of maps), designating with respect to each line - - -

- (i) The operating carrier or carriers;
- (ii) Freight traffic density; and
- (iii) Location of passenger service.”

Given the uncertainty surrounding the Milwaukee situation up until recently, Montana has elected not to update and reprint the maps contained in the 1979 *Montana Rail Plan*. Instead, Montana has (1) identified the changes to the maps and tabulated information contained in the 1979 *Plan* and (2) prepared the tabulations required in 49 CFR Part 266.15 (c) (3).

Table 2 identifies the changes that would be made, had the maps contained in the 1979 *Montana Rail Plan* been reprinted.

¹49 CFR Part 266.15 (c) (2)

TABLE 1

**STATUS OF LIGHT DENSITY LINES FOR WHICH
DETAILED ASSESSMENTS WERE COMPLETED IN 1979**

Railroad / Line ¹	Between (Termini)	Changes Taking Place Between August, 1979 and August, 1980
1. MILW MD - 14th Sub	Agawam - Great Falls	Trustee filed an abandonment application on August 8, 1979 which was approved by the Commission on January 29, 1980. Trustee continued service until February 29, 1980. Service was further extended to March 23, 1980 using ERSA funding. Interim service was provided by the BN between Fairfield and Eastham Jct. pending Commission approval of the sale which occurred on August 22, 1980. Trackage between Fairfield and Eastham Jct. is now part of the BN system. Contract let by Trustee for removal of tracks between Great Falls - Fairfield and Choteau - Agawam.
2. MILW MD - 13th Sub	Great Falls - Lewistown	Abandonment action same as above. Interim service provided by the BN between Great Falls and Loy Spur and Geraldine and Lewistown pending final Commission approval of the sale, which occurred on August 22, 1980. Trackage between Geraldine and Lewistown is now part of the BN system.
3. MILW MD - 10th Sub	Lewistown - Harlowton	Abandonment action same as above. Interim service provided by the BN between Lewistown and Moore pending Commission approval of the sale, which occurred on August 22, 1980. Trackage between Lewistown and Moore now part of the BN system. Contract let by Trustee for removal of the tracks between Moore and Harlowton.
4. MILW MD - 12th Sub	Lewistown - Winifred	Abandonment action same as above. Contract let by Trustee for removal of tracks.
5. MILW MD - 11th Sub	Lewistown - Heath	Abandonment action same as above. Interim service provided by the BN pending final approval of the sale, which occurred on August 22, 1980. Now part of the BN system.
6. BN MD - 5th Sub	Moccasin - Lewistown	ICC System Diagram Category changed from 1 to 5. Since this line provided access to the Milwaukee lines purchased by the BN, no further consideration is being given to abandonment.
7. BN MD - 7th Sub	Hogeland - Saco	ICC System Diagram Category changed from 1 to 2.
8. BN RMD - 9th Sub	Red Lodge - Silesia	While the abandonment application was disapproved on June 28, 1979 by the Commission, the ICC System Diagram Category has not been changed from Category 3.
9. MILW MD - 2nd Sub	Ringling - Dorsey	Abandonment action same as for rest of Milwaukee system west of Miles City. Action severed the White Sulphur Springs and Yellowstone Park Railroad's connection with the nation's rail system, thus ending freight transport on this line.
10. BN MD - 1st Sub Industrial Track	Glasgow - Glasgow AFB	No change.
11. BN RMD - 13th Sub	Haugan - Mullan, Idaho	Abandonment and subsequent transfer of the Mullan, Idaho - Wallace, Idaho segment to the UP approved by the Commission on May 9, 1980. Has been appealed.

¹ MD - Montana Division (BN and MILW); RMD - Rocky Mountain Division (BN only).

TABLE 2

CHANGES TO FIGURES IN THE 1979 MONTANA RAIL PLAN

Figure No.	Page No.	Title	Changes (if any)
2	15	State Rail Network	Except for portions acquired by the BN, Milwaukee lines west of Miles City are deleted.
3	17	Burlington Northern RR	Milwaukee segments between Fairfield and Eastham Jct., Great Falls and Loy Spur, Geraldine and Lewistown, Lewistown and Moore, and Lewistown and Heath are added to this map.
4	19	Chicago, Milwaukee, St. Paul & Pacific RR	All Milwaukee lines west of Miles City are deleted.
5	21	Other Railroads	The White Sulphur Springs and Yellowstone Park Railroad is deleted, leaving only the Soo Line in northeastern Montana.
6	35	503 Classification of Railroads	No change, except for deletion of Milwaukee lines not acquired by the BN.
7	39	Signal Systems and Maximum Track Speeds	No change, except for deletion of Milwaukee lines not acquired by the BN.
8	43	Freight Traffic Density	Generally correct except for deletion of Milwaukee lines not acquired by the BN. Needs updating, however, to more recent density figures.
9	49	Rail Passenger Service	Delete the southern east-west transcontinental route (the North Coast Hiawatha).
10	71	Railway Line Clearances and Weight Limitations	No change, except for deletion of Milwaukee lines not acquired by the BN.
11	73	DOD Installations and Activities Requiring Rail Service & Strategic Rail Corridor Network	No change.
12	79	Abandonments and Potential Abandonments.	Except for lines between Silesia and Red Lodge, and Saco and Hogeland.

Table 3 identifies lines which are eligible for assistance on the basis of carrying less than three million gross tons per mile during the previous year. The only line still identified on an ICC Systems Diagram submitted by the owning carriers as potentially subject to abandonment or lines which are anticipated to be the subject of an abandonment or discontinuance application within three years following submission is the Burlington Northern's Glasgow - Glasgow AFB industry spur.¹ At the present time, there are no lines for which abandonment or discontinuance applications are pending, although the Red Lodge - Silesia line remains in Category 3.

Table 4 identifies the rail projects for which Montana plans to request Federal assistance.

¹49 CFR Part 1121.20 (b) (1) and (2).

TABLE 3

**LINES ELIGIBLE FOR ASSISTANCE UNDER
49 CFR PART 266.7**

(Except those Identified on ICC System Diagram Maps as Category 1 or 2) ¹

Railroad / ML or BL ²	Termini or State Border	Length (Miles)	1979 Density ³
<u>BURLINGTON NORTHERN RR</u>			
MD 3rd Sub. ML	Pacific Jct. - Great Falls	119.9	0.86
MD 5th Sub. ML	Mossmain - Great Falls	222.7	0.64
MD 6th Sub. BL	Bainville - Opheim	146.6	0.18
MD 7th Sub. BL	Saco - Hogeland	79.3	0.02
MD 9th Sub. BL	Power - Pendroy	44.5	0.02
MD 10th Sub. BL	Valier Jct. - Valier	17.4	0.05
MD 11th Sub. BL	Spring Creek Jct. - Moccasin	21.5	0.04
MD 12th Sub. BL	Hesper - Rapelje	38.2	0.02
YD 6th Sub. BL	ND Line - Carlyle	2.9	Less than 0.01
YD 7th Sub. BL	Glendive - Snowden	70.8	0.35
YD 8th Sub. BL	Newton Jct. - Richey	45.1	0.07
YD 10th Sub. BL	Glendive - Brockway	64.3	0.06
RMD 9th Sub. BL	Red Lodge - Silesia	34.5	Less than 0.01
RMD 10th Sub. BL	Mission - Wilsall	23.0	0.01
RMD 11th Sub. BL	Livingston - Brisbin	10.3	Less than 0.01
RMD 12th Sub. BL	Manhattan - Anceney	15.2	0.01
RMD 13th Sub. BL	Sappington - Harrison	10.0	0.02
RMD 14th Sub. BL	Whitehall - Alder	45.6	0.08
RMD 15th Sub. BL	Great Falls - Helena	94.7	1.30
	Helena - Basin	45.3	0.10
RMD 16th Sub. BL	Drummond - Philipsburg	26.0	0.01
RMD 17th Sub. BL	Missoula - Darby	65.9	0.08
RMD 18th Sub. BL	Dixon - Polson	33.4	0.12

CHICAGO, MILWAUKEE, ST. PAUL & PACIFIC RR

DD 4th Sub. ML	SD Line - Miles City	114.7	3.00
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TABLE 3
(cont.)

Railroad / ML or BL ²	Termini or State Border	Length (Miles)	1979 Density ³
<u>UNION PACIFIC RR</u>			
ID 4th Sub. ML	ID Line - Butte	133.3	0.65
<u>SOO LINE RR CO.</u>			
WD 6th Sub. BL	Whitetail - ND Line	56.9	0.05
<u>BUTTE, ANACONDA & PACIFIC RAILWAY CO.</u>			
ML	Butte - Anaconda	25.7	Unknown
Brown's Spur	Anaconda - Brown	6.2	

¹Lines carrying three million gross ton miles per mile or less during 1979.

²Abbreviations used include the following:

- ML Mainline. Line handles through (bridge) traffic in addition to serving locally originating or terminating traffic
- BL Branchline. Line handles only local originating or terminating traffic.
- Sub. Subdivision
- MD Montana Division, Burlington Northern Railroad
- RMD Rocky Mountain Division, Burlington Northern Railroad
- YD Yellowstone Division, Burlington Northern Railroad
- DD Dakota Division, Chicago, Milwaukee, St. Paul & Pacific Railroad
- WD Western Division, Soo Line Railroad
- ID Idaho Division, Union Pacific Railroad

³Millions of gross tons per mile per year.

TABLE 4

MONTANA PRIORITY LINES
FOR
FEDERAL RAIL SERVICE ASSISTANCE

Termini		Length (Miles)	Estimated Rehab. Cost ¹
1.	Miles City - Gascoyne, N.D.	169.0	\$2,500,000 ²
2.	Power - Choteau - Fairfield	39.1	806,768 ³
3.	Lewistown Area		
a.	Spring Creek - Lewistown	10.3	217,130
b.	Spring Creek - Geraldine	65.4	1,378,672
c.	Moccasin - Spring Creek	21.4	280,005
d.	Lewistown - Moore	17.6	371,019

¹Estimates prepared by Railway Multi-Engineering, Inc. for the Montana Department of Highways.

²This project is a joint undertaking by the States of Montana, South Dakota and North Dakota. Montana's estimated share of the total project is \$200,000.

³Includes \$350,351 for Power - Eastham Jct., \$178,405 for Eastham Jct. - Choteau, and \$278,012 for Fairfield - Eastham Jct. Does not include the cost of a wye connection at Eastham Jct., however.

II. ANALYSIS OF SEVEN ADDITIONAL LIGHT DENSITY LINES

The purpose of this chapter is to introduce and explain the additional light density line assessments which have been completed by MDH and appear in Technical Appendix A. As before, the placement of the individual assessments in a separate appendix was done because of the large amount of data and text necessary in providing a complete appraisal of a line and in explaining the resulting assessment.

A. Lines for which Assessments were Prepared

In undertaking this work for the 1979 *Montana Rail Plan*, the criteria utilized in selecting lines were as follows:

- * FRA Class A and B Branchlines having gross tonnages of three million or less.
- * ICC System Diagram Map Categories 1, 2, and 3.¹
 - Category 1: lines for which the owning railroad anticipates filing an abandonment application within three years of the date of the System Diagram Map.
 - Category 2: lines which the owning railroad has under study which may be the subject of a future abandonment application on account of either anticipated operating losses or excessive rehabilitation costs as compared to potential revenues.
 - Category 3: lines for which an abandonment application has been filed with the Commission.
- * Other lines of Class II railroads which may be the subject of a future abandonment application.

All eleven lines chosen initially met the first two criteria (i.e., carried relatively little traffic and abandonment was being considered or pursued by the owning railroad.) As indicated in Table 3, a large number of lines meet the density criteria of three million gross tons or less and thus are potential candidates for rehabilitation and improvement assistance and rail feasibility construction assistance. Ideally, detailed assessments should be prepared for all of the lines listed in Table 3. However, given the time and funding available, some selectivity became necessary. Also, it makes little sense to examine a line unless there is some interest on the part of the owning railroad in seeking federal funding. After considering approximately a dozen candidate lines, the following were selected by the Burlington Northern and MDH for detailed study:

¹49 CFR Part 1121.20 (b)

	Owning RR	Line Description ¹	Terminus	Length (miles)
12.	BN	YD 6th Sub.	Beach, ND to Carlyle	20.8 ²
13.	BN	MD 9th Sub.	Power to Pendroy	44.5
14.	BN	MD 12th Sub.	Hesper to Rapelje	38.2
15.	BN	RMD 11th Sub.	Livingston to Brisbin	10.3
16.	BN	RMD 13th Sub.	Sappington to Harrison	10.0
17.	BN	RMD 14th Sub.	Whitehall to Alder	45.6
18.	BN	RMD 17th Sub.	Missoula to Darby	65.9

B. Format Used

Since preparation of the 1979 *Montana Rail Plan*, federal format and content requirements for individual light density line assessments have changed somewhat. These requirements are quoted below:³

“Include, to the extent that the information is available to the State, the following data for each line the State has selected to analyze in detail:

- (i) Annual freight tonnage and carloads segregated by commodity type and indicating any seasonal traffic fluctuations and the number of shippers and receivers on the line aggregated by type (e.g., grain elevator, power plant, heavy manufacturing), including identification of information which a shipper wishes the Administrator to consider confidential to the extent permitted by law;
- (ii) Revenues and costs of providing rail freight service on the line;
- (iii) Condition of the related rail facilities and equipment, and for a line eligible under § 266.7 (b) of this part, a description of the particular rail facilities involved in any project a State may be considering on the line;
- (iv) When the State is considering a project eligible under § 266.7 (b) of this part, the amount of funds expended for the maintenance of the line and the kinds of work performed during the five-year period preceding its eligibility; and
- (vi) When the State is considering a line for rail banking, a description of the line’s future economic potential, such as the existence of fossil fuel reserves or agricultural production likely to be served.”

¹Abbreviations used: YD - Yellowstone Division; MD - Montana Division; RMD - Rocky Mountain Division; and Sub - Subdivision.

²2.9 miles in Montana.

³49 CFR Part 266.15 (c) (6)

In order to maintain continuity, Montana has retained the format used in preparing the 1979 *Montana Rail Plan*. The earlier format does satisfy the above requirements. Pages 84-98 of the *Montana Rail Plan* describe in considerable detail the main components of individual light density line assessments.

C. Overall Results

Principal findings are as follows:

- * All seven lines examined are either marginal or uneconomic to the owning railroad. The principal cause is lack of traffic rather than their physical condition.
- * Two of the lines (Beach to Carlyle and Power to Pendroy) require rehabilitation. The main need for the other lines is routine maintenance, mainly tie renewals and some ballasting.
- * The Power to Pendroy line is a strong candidate for governmental rehabilitation assistance, especially the Power - Choteau segment in combination with the Milwaukee's Fairfield - Eastham Jct. segment. The objective is to combine together the principal traffic generating points of two somewhat unprofitable lines operated in the past by different carriers to produce one line fully capable of standing on its own.
- * On the basis of Department estimated revenues and costs, Montana anticipates that abandonment applications may be filed within the next several years on several of the lines (Livingston to Brisbin and Sappington to Harrison, especially). However, the Burlington Northern has taken no action to date, directly or indirectly, through changing the status of these lines on their ICC Systems Diagram.

III. MONTANA'S SHORT-RANGE PRIORITIES FOR UTILIZING FEDERAL RAIL SERVICE CONTINUATION ASSISTANCE

In the 1979 *Montana Rail Plan*, the following three Milwaukee lines were singled out as being high-priority candidates for Federal rail service continuation assistance:

- Line 2: Great Falls to Lewistown
- Line 3: Lewistown to Harlowton (Judith Gap - Lewistown segment)
- Line 1: Great Falls to Agawam (Great Falls - Fairfield or Eastham Jct. - Fairfield segments)

The more recent analysis of seven additional light density lines has identified the Burlington Northern's Power to Pendroy line as an additional high-priority project, particularly when coupled with the Fairfield - Eastham Jct. segment. These lines have previously been listed in priority order in Table 4.

Funding presently available to Montana is as follows:

	<u>Entitlement</u>	<u>Matching</u>	<u>Total</u>
FY 1979 Funding	\$ 627,976	\$ 156,994	\$ 784,970
FY 1980 Funding	3,447,688	861,922	4,309,610
Total:	<u>\$4,075,664</u>	<u>\$1,018,916</u>	<u>\$5,094,580</u>

The projects shown in Table 5 total \$3,053,594. The amounts shown do not include replacing the 65-pound rail in the Fairfield - Eastham Jct. segment, the construction of wye connections at Eastham and Spring Creek junctures, the construction of turnaround trackage at Geraldine, Moore, or Fairfield (if needed), or repairs/rehabilitation of the Spring Creek viaduct. They include only the ties needed to meet FRA Track Class 2 conditions. Funding not needed for the above will be utilized to increase the number of tie renewals and the amount of ballast on Milwaukee segments to offset the impacts of 100-ton hopper cars running over track consisting of 75-pound rail for the most part. Specific rehabilitation plans and cost estimates are in the process of being developed by the Burlington Northern; they cannot be furnished at this time.

Table 5 shows the cost estimate contained in Exhibit 23 of the Burlington Northern's application to purchase Milwaukee properties, dated May 15, 1980. In a telegram dated September 13, 1980, the Burlington Northern has reaffirmed its intent to accomplish all rehabilitation and upgrading and to achieve the track classifications as set forth in Table IV and V of Exhibit 23.

Montana is supportive of the actions being taken by the FRA and various states to the east to make immediate repairs and undertake longer-term rehabilitation of the former Milwaukee

TABLE 5

**BURLINGTON NORTHERN ESTIMATED COSTS FOR PLANNED REHABILITATION
OF SELECTED LINES IN MONTANA ¹**

Line Segment	FRA Track Class After Rehabilitation	Rehabilitation Detail				Accomplish in Year
		Ties/ Mile	Surface Correction	Other	Cost (000)	
Fairfield - Eastham Jct.	2	1280	2" Raise	Anchors	\$608	1 through 3
Eastham Jct. - Choteau Jct.	2					
Choteau Jct. - Choteau	2					
Geraldine - Spring Creek Jct.	3	1280	2" Raise	Replace Spring Creek Bridge, anchors, drainage	\$7468	1 through 4 and 7
Spring Creek - Lewistown	3					
Lewistown - Moore	3	1280	2" Raise	Anchors	\$645	1 through 3
Lewistown - Heath	2	1280	2" Raise	Anchors	\$373	1 through 3
<u>Total:</u>					<u>\$9,094</u>	

¹ *Application of the Burlington Northern for the Purchase of Milwaukee Properties*, Exhibit 23, Tables IV and V, May 15, 1980.

mainline east of Miles City so that rail operations can be sustained on a permanent basis. Thus action to retain east-bound competitive rail service at Miles City helps ensure the marketability of Montana-produced coal. Montana understands that North and South Dakota are proposing to utilize a major portion of their Federal local rail assistance program entitlements to improve the Milwaukee trackage between Gascoyne, North Dakota and Miles City, Montana. Montana will provide \$200,000 of its entitlement for this project for a \$2.5 million total in rehabilitation improvements.

Improvement of the Power - Choteau - Fairfield line is based on the desirability of combining together the principal traffic generating points of two unprofitable lines operated in the past by two different carriers to create one line fully capable of standing on its own. Montana expects this line to be operated on an indefinite basis, given the high proportion of barley grown in the area. Had the product primarily been wheat, a grain sub-terminal solution might be a more appropriate solution. Given the diverse malt house and feed lot destinations for barley, there simply is not enough of this commodity transported to any one destination to permit multiple-car or unit train shipments.

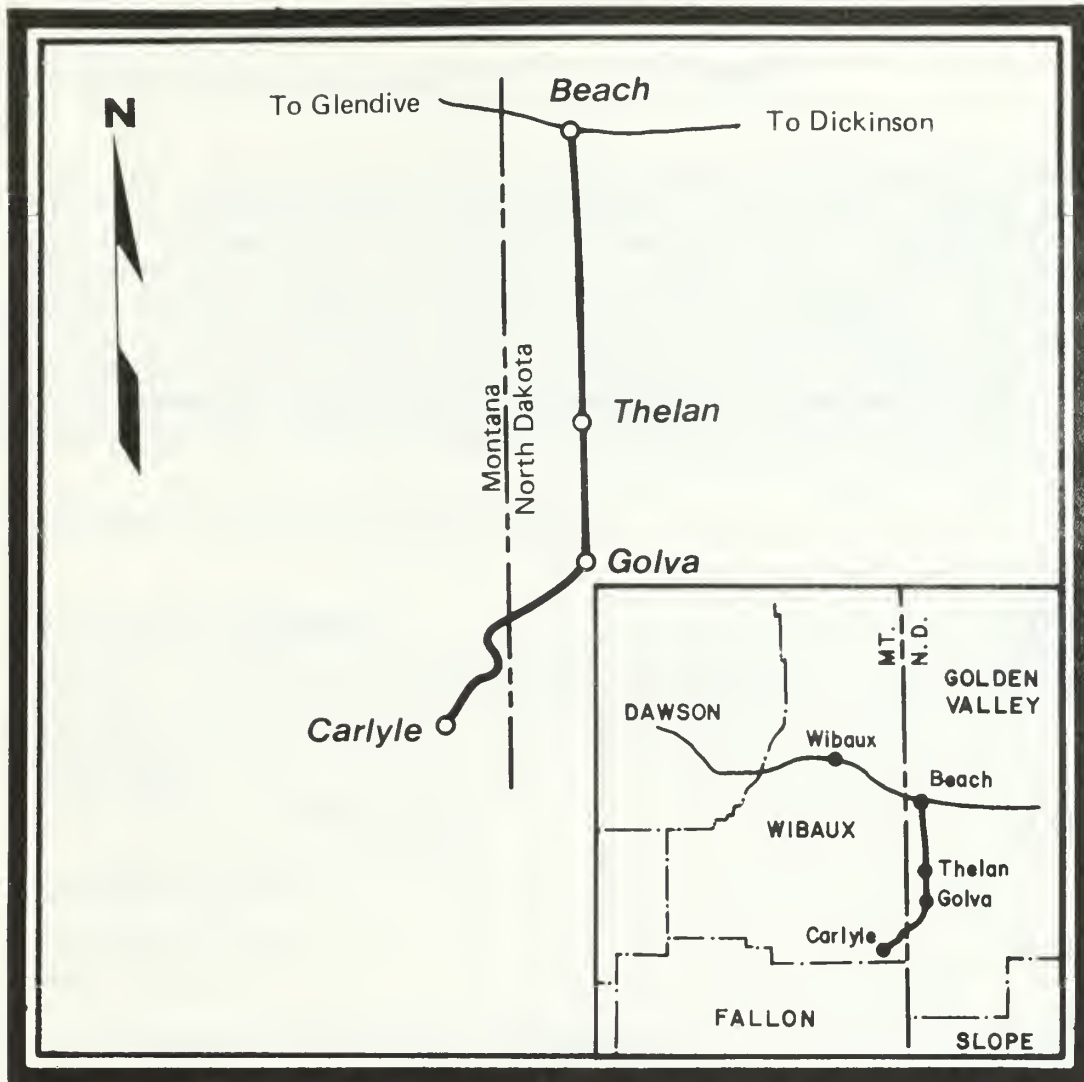
Improvements of the grain lines in and around Lewistown is based on the need to rehabilitate former Milwaukee lines in central Montana to help ensure satisfactory service to the grain public warehouses dependent on rail service, and at the same time to remove any short-term possibility of abandonment or inclusion of the rather substantial costs of rehabilitation in the rate base. The grain sub-terminal study at this point is not far enough along to determine whether such facilities are economically and institutionally feasible and thus should be implemented in place of continuing the traditional means of grain transport. Feasibility depends upon whether a sub-terminal can generate sufficient economic benefits for central Montana farmers and elevator operators to overcome the inherent fear and distrust of a major change in the transport of grain, and whether elevator operators and other grain shippers are willing to combine their shipments into unit train quantities bound for a single destination while retaining their independence and competitiveness in other areas. Even if the results (expected this fall) are favorable, the Department anticipates that it may take several years before such facilities are implemented. In the meantime, rehabilitation of these lines is absolutely essential although the level of investment should be such as to ensure a relatively short payback period. Obviously, the state must not become locked into infrastructure improvements which perpetuate obsolete transport systems if systems offering greater transport economies are proven to be feasible.

TECHNICAL APPENDIX A
INDIVIDUAL LIGHT DENSITY LINE ASSESSMENTS

<u>Line No.</u>	<u>RR</u>	<u>Termini</u>	<u>Page</u>
12	BN	Beach, ND to Carlyle	A-1
13	BN	Power to Pendroy	A-9
14	BN	Hesper to Rapelje	A-24
15	BN	Livingston to Brisbin	A-35
16	BN	Sappington to Harrison	A-39
17	BN	Whitehall to Alder	A-48
18	BN	Missoula to Darby	A-57

Note: The light density line assessment for the Power to Pendroy line, which connects with the Milwaukee's Great Falls to Agawam line at Eastham and Choteau Junctions, was prepared prior to the recent Interstate Commerce Commission decision on Montana's application to acquire and operate Milwaukee lines between Miles City, Montana and Marengo, Washington and the Burlington Northern's application to acquire the Milwaukee trackage between Fairfield and Eastham Junction. Consequently, portions of the resulting assessment are now longer applicable.

Line 12 Beach, N.D. to Carlyle, Mt.



This line, the 6th Subdivision of Burlington Northern's Yellowstone Division, extends from Beach, North Dakota (on the BN's 1st Subdivision Main Line) a distance of 20.8 miles to Carlyle, Montana. The Montana segment of the line is 2.9 miles in length and is located in Wibaux County. The line was previously classified as ICC Systems Diagram Category 1 (owning railroad intends to abandon the line within three years); in May, 1980, the Burlington Northern reclassified this line to Category 5 (lines for which abandonment is not presently contemplated by the owning railroad). Rail service beyond Golva, North Dakota (MP 13.1) has been discontinued for over one year.

LEGEND

-  Beach, ND to Carlyle, MT
-  Other Lines
-  Freight Station
-  Other Station



1. FREIGHT TRAFFIC AND CHARACTERISTICS OF SHIPPERS

The two rail-oriented firms, located along the North Dakota segment of this line, reported shipping approximately 155 carloads (10,385 tons) of wheat to the West Coast and Minnesota during 1979.^{1/} Approximately 84 percent of the wheat was destined to the West Coast (Portland, Seattle, Vancouver) and the remainder to either Duluth or Minneapolis. No shipments originated or terminated along the 2.9 mile segment in Montana during 1979. During the past several years, grain shipments from the grain public warehouse averaged around 30 carloads per year. In the mid-1970's, grain shipments were higher averaging around 100 carloads per year.

2. REVENUES AND COSTS OF RAIL SERVICE

<u>Attributable Revenues</u>	<u>Year^{2/} 1978</u>
1. Freight Originated and/or Terminated On-Branch	60,000
2. Bridge Traffic	
3. Demurrage	
4. All Other	
5. Total Revenues Attributable	60,000
<u>Avoidable Costs</u>	
6. Off-Branch Costs	30,000
7. On-Branch Costs	
a. Maintenance of Way and Structures	32,000
b. Maintenance of Equipment	1,000
c. Traffic & Transportation	4,000
d. Taxes	1,000
e. Administrative	1,000
f. Miscellaneous	0
8. Total Avoidable Costs	69,000
9. Return on Value	19,000
10. Total Costs	88,000
11. Total Costs Less Revenue	28,000

^{1/} Commodity flow data were provided by shippers on the line.

^{2/} MDH estimates for the 7.5 miles between Golva and Carlyle (Burlington Northern branchline account data not available) 1978 dollars.

3. CONDITION OF PLANT, EQUIPMENT AND FACILITIES

This line, a former Northern Pacific branch, consists of a single track with passing sidings located at Thelan and Golva.^{1/} The line runs through moderately rolling terrain with a gradient generally ascending towards Carlyle. The maximum grade is 2+ percent and the maximum curvature is 5 degrees. Maximum speed between Carlyle and Beach is 10 mph.

A physical inspection of the line was conducted by Railway Multi Engineering, Inc. for the MDH during April, 1980 with quantitative data samples being taken at five locations and qualitative spot checks at several additional locations to verify the consistency of track work and conditions.

Results of the inspection noted that the line did not meet Class I standards. However, this condition could be corrected by one year's normal maintenance. The only additional work needed is the reworking of turnouts. The line was found to be in fairly good condition; the major deficiencies being required tie renewals, lack of heel blocks at the turnouts, and some need for additional ballast. The annual cost of maintaining the entire line at FRA Track Class I conditions was estimated to be \$109,990 (\$5,288 per mile).

The cost of rehabilitating the track to fully meet FRA Track Class II conditions is as follows:

<u>Description</u>	<u>Unit</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Cost</u>
Cross Tie Replacement	each	3,176	31.00/ea	98,456
Bolt Tightening	mile	20.8	520.00/mi	10,816
Replace Missing Bolts/Nuts/ Washers	each	4,073	5.75/ea	23,420
Replace Switch Ties	each	150	97.00/ea	14,550
Turnout Repairs	item	26	1,447.25/ea	37,628
Ballast Dump	cu.yd.	13,012	5.50/cu.yd.	71,566
Surface, Line and Dress	mile	20.8	3,695.25/mi	76,861
Spikes	each	3,616	2.50/ea	<u>9,040</u>
Total for 20.8 miles				\$ 342,337
Golva-Carlyle Portion Only				\$ 123,439
Cost per mile				\$ 16,458

The annual maintenance cost to meet FRA Track Class II conditions is estimated to be \$150,051 (\$7,214 per mile).

The total salvage value of this line was estimated to be \$1,207,414. The take-up costs were estimated to be \$270,400 for a net salvage value of \$937,014 (\$45,049 per mile).

^{1/} At one time, the line extended an additional five miles to Ollie.

4. FUTURE FREIGHT SERVICE NEEDS

As long as rail service is provided, present North Dakota shippers are likely to use rail to the extent that they can obtain rail cars. However, these shippers do extensively utilize truck transport and would increase their use of this mode if rail service were discontinued. Any growth in grain traffic moving by rail is dependent upon weather or other factors affecting the production of wheat in the area.

The grain public warehouse at Carlyle, a former shipper on this line, was recently sold to an individual for use as a private grain storage facility. Discussions with the new owner have indicated that grain stored in the facility is being marketed by trucking to other grain public warehouses or by direct shipments. Future rail usage is presently uncertain. The other shipper, a feed store, has not utilized rail service for several years.

5. EFFECTS OF ABANDONMENT ON STATE TRANSPORTATION NEEDS

The impact of abandonment on the transportation needs of the state would be minimal since no traffic originates or terminates along the Montana segment of the line.

6. IMPACTS OF SUBSTITUTING ALTERNATE RAIL OR OTHER MODES

Alternate rail service is not feasible for this line.

Shippers have indicated that local trucking to the Burlington Northern mainline in Beach is presently occurring and would continue if rail service was discontinued.

7. METHODS OF ACHIEVING ECONOMIES IN LINE OPERATIONS

This line is served on an as-needed basis by one locomotive (a GP-9) and a four-man crew operating out of Dickinson, ND. Further service reductions to achieve substantial operating economies do not appear to be possible.

Consolidation, pooling, or joint use are not feasible on this line.

8. EFFECTS ON OR BY PROFITABLE CARRIERS

No effect on any other rail carrier is anticipated from the abandonment or continued operation of this line.

9. POTENTIAL FOR RAIL BANKING

No rail banking is anticipated for this line.

10. FUTURE OF THE LINE IN RELATION TO THE FEDERAL ASSISTANCE PROGRAM

Calculations made by the MDH using RSPO costing principles indicate that attributable revenues are less than avoidable costs.

No decision has been made by the Burlington Northern as to whether to seek the abandonment of this line.

Limited federal assistance is available for enhancing the viability of light density lines or mitigating the effects of abandonment. Such assistance can be used for subsidizing operations, acquisition, rehabilitation, or substitute service. (Projects involving acquisition, rehabilitation, or substitute service are required to be the subject of a benefit-cost analysis resulting in the selection of those projects offering the greatest return.)

While the line did not, in RMEI's option, technically meet FRA Track Class I standards, the track can be brought into full compliance through normal maintenance. However, given the lack of shippers in Montana and since track rehabilitation is not required, it is highly unlikely that MDH would seek federal financial assistance for this line.

11. DESCRIPTION OF ALTERNATIVES EVALUATED: RESULTS

No non-rail alternatives other than abandonment have been evaluated.

In regard to continued rail service, the only investment option considered is to retain present rail service without rehabilitation. Only one traffic scenario (traffic at the previous level) has been evaluated.

The results obtained from evaluating the above options/scenarios are shown in Tables 12A and 12B. Table 12A shows (1) the present value of costs over three different time periods and (2) the ratio of the cost of discontinuing rail service divided by the cost of continuing rail service. The latter is essentially a benefit cost ratio showing the economic efficiency of the different investment, operational, and traffic possibilities considered. Table 12B presents a distributional analysis of the gains and losses experienced by various groups over a 20-year period, were rail service discontinued. The figures shown are based upon component calculations made in determining the cost of discontinuing rail service.

12. OVERALL LIGHT DENSITY LINE ASSESSMENT

Although MDH estimates indicate that the present difference between attributable revenues and avoidable costs is in the order of \$28,000 per year; this is based on the level of service and utilization occurring in 1978 and early 1979. Since the sale of the grain public warehouse in early 1979, rail service has been discontinued. Even though no revenues or operating expenses are presently being incurred by the Burlington Northern, the line still loses around \$20,000 per year in taxes and return on the investment in track and right-of-way.

At the present time, there appears to be little need for continued rail service to Carlyle. Retention of the capability for providing rail service in anticipation of a future demand is conceptually possible, although such a course of action makes little economic sense. While the line is below Class I, retention does not require a concomitant investment in track rehabilitation.

Since there are no active shippers on the line beyond Golva, ND, the Department anticipates that an abandonment application will ultimately be filed by the Burlington Northern. If it can be proven that the segment beyond Golva is indeed unprofitable, or is not required to serve present or prospective shippers, then the Department would not oppose such an application.

13. RELATIONSHIP OF DECISION TO EVALUATION CRITERIA

The decision not to oppose possible future abandonment of service on the portion of this line extending into Montana is based on the following criteria given in the revised Montana Planning Work Statement, dated June 1979.

- The line segment beyond Golva, ND does not have long-term economic viability.
- The economic impacts of abandonment are negligible.
- Little community impact would result from abandonment.
- The line segment is not essential to the state or regional rail network.
- Alternate modes are available (and are being utilized in preference to rail).

TABLE 12A
EVALUATION OF ALTERNATIVE IMPLEMENTATION OPTIONS

<u>Alternative</u>	<u>Present Value of Costs</u> ^{1/}			<u>Ratio</u> ^{2/}	
	<u>First Quarter</u>	<u>First Year</u>	<u>Total 20 Years</u>	<u>First Year</u>	<u>Over 20 Years</u>
<u>Abandon the Entire Line</u>	0	0	0		
<u>Retain Rail Service</u>					
1978 traffic, w/o rehab.	6,880	26,817	300,160	0.00	0.00

^{1/} Parenthesis indicates that revenues exceed costs; hence, alternative is profitable.
Data source: Detailed Summary of Economic Impacts (unpublished material).
All figures in 1978 dollars.

^{2/} This ratio is the cost of abandoning the entire line divided by the cost of each of the continued rail service options. This ratio is analogous to a benefit-cost ratio.

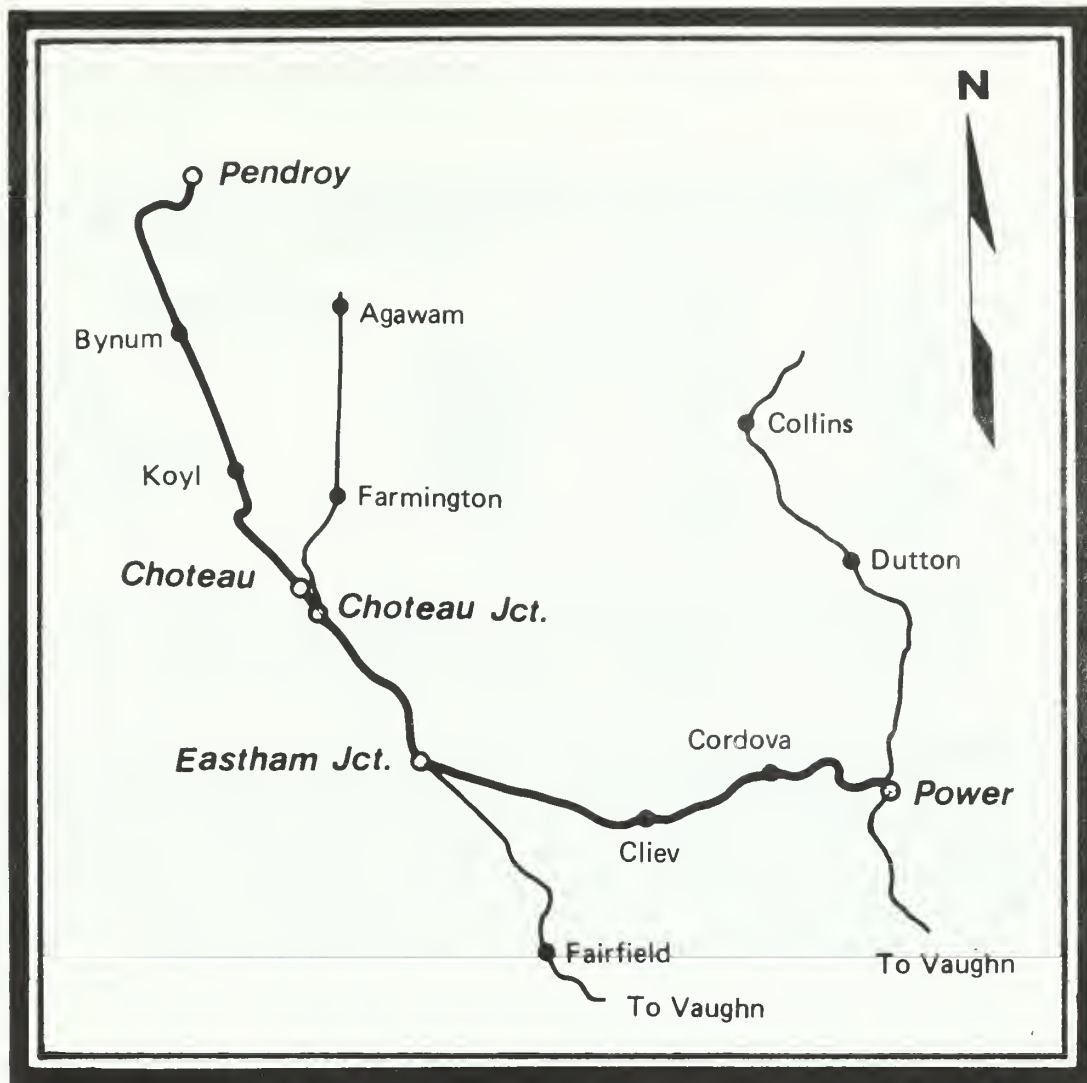
TABLE 12B
DISTRIBUTIONAL ANALYSIS

Component Impact ^{1/}	Affected Group	Gain/Loss (\$000 ³) ^{2/}
1. Wage and Salary Loss in Affected Counties ^{3/}	General Populace	0
2. Offsetting Gains Elsewhere in Montana	Other Counties	0
3. Loss in Local Purchases in Affected Counties	Business Community	0
4. Offsetting Gains Elsewhere in Montana	Other Counties	0
5. Unemployment Payments	Employers throughout Montana	0
6. Income Tax Loss	State Government	0
7. Transport Cost Increase ^{5/}	Shippers	0
8. Increased Highway Maintenance & Reconst. Cost	MDH	<u>4/</u>
9. Attributable Revenues Less Less Avoidable Costs ^{6/}	Shippers or Owning RR	-300
10. Opp. Costs Realized through Abandonment ^{7/}	Owning RR	+1,894

- ^{1/} Source for most data items: Detailed Summary of Economic Impacts. Unpublished material.
- ^{2/} Present value over a 20-year period.
- ^{3/} Represents primary and secondary wage loss less any increases in local trucking employment.
- ^{4/} Little impact anticipated on local road systems.
- ^{5/} For grain movements. Represents local trucking to nearby elevators.
- ^{6/} Continued operation as at present without rehabilitation.
- ^{7/} Net salvage value invested at nine percent interest for 20 years.

Line 13

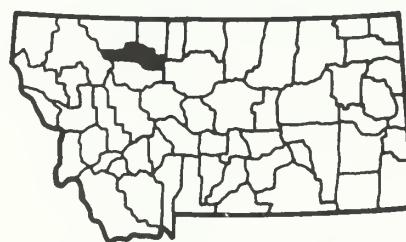
Power to Pendroy



This line, the 9th Subdivision of the Burlington Northern's Montana Division, extends from Power (on the BN's 4th Subdivision Main Line) to Pendroy, a distance of 44.5 miles in Teton County. The portion of the line between Eastham Jct. and Choteau Jct. (mileposts 244.4 to 251.2) is jointly owned by the Burlington Northern and Milwaukee Road. Currently, the Burlington Northern is seeking to acquire the Milwaukee's interests in this section of track. This line is presently classified as ICC Systems Diagram Category 5 (other lines for which abandonment is not contemplated by the owning railroad). The line is potentially eligible for federal financial assistance for the purpose of enhancing its long-term viability.

LEGEND

-  Power to Pendroy
-  Other Lines
-  Freight Station
-  Other Station



1. FREIGHT TRAFFIC AND CHARACTERISTICS OF SHIPPERS

The ten rail-oriented firms served by the Burlington Northern reported shipping 515 carloads and receiving 45 carloads of the following commodities during 1979:^{1/}

<u>Commodity Type</u>		<u>Cars</u>	<u>Tons</u>
Wheat	Outbound	407	27,300
Barley	Outbound	108	7,200
Fertilizer	Inbound	15	1,200
Farm Equipment	Inbound	27	500
Insulation	Inbound	3	50
		<u>560</u>	<u>36,250</u>

Of this traffic, 380 carloads were reported by the Burlington Northern as originating or terminating at Choteau, 27 carloads at Cordora, 10 at Cliev, and 143 at Pendroy in 1979.

This line serves, in part, one of the more important wheat and barley producing areas in Montana.^{2/} Three major grain public warehouses are located directly on this line (two at Choteau and one at Pendroy) plus several smaller facilities.^{3/} Based on Department of Agriculture grain movement data for these elevators, the wheat was shipped primarily to the west coast (70%) with lesser amounts to the interior of Oregon and Washington (25%) and local destinations in Montana (5%).

^{1/} Commodity flow data supplied by shippers located along this line. Burlington Northern records indicate that 337, 351, and 321 cars originated or terminated along this line in 1977, 1978, and 1979, respectively. The shippers' survey results probably includes some Milwaukee traffic at Choteau. Milwaukee records indicate that 271, 253 and 196 carloads originated or terminated at Choteau in 1977, 1978, and 1979, respectively.

^{2/} Teton County was the third leading barley producing county in both 1976 and 1977 and accounted for eight percent of the barley grown in Montana during these two years.

^{3/} Includes one elevator at Choteau which in past years has primarily shipped via the Milwaukee.

Barley, which in 1979 comprised roughly 25% of the total grain shipments, was destined to the west coast (45%), the interior of Oregon and Washington (20%), Minneapolis/St. Paul (15%) and other destinations.^{1/} Roughly three quarters of wheat and barley shipments moved by rail with the remainder being transported by truck. Some decline in the proportion of grain moving by rail was noted from Department of Agriculture records.^{2/} This decline can be attributed to car supply problems, inadequate service, backhaul opportunities and the relatively good assessibility of the area to river ports in Idaho and Washington (For truck/barge movements).

Up until early 1980, Choteau was also served by the Milwaukee Road, which handled about 40 percent of the traffic at Choteau. Since the cessation of service, the Burlington Northern has been handling this traffic while seeking ICC approval to purchase outright the jointly owned trackage between Eastham Jct. and Choteau.

In addition, the Burlington Northern is also serving former Milwaukee shippers located at Fairfield via a connection with the Milwaukee trackage at Eastham Jct. In the 1979 shippers' survey conducted by the MDH in preparing the initial Montana Rail Plan, shippers reported originating or terminating 708 carloads at Fairfield in 1978.^{3/} The Burlington Northern is likewise seeking ICC approval to purchase and operate this trackage on a permanent basis. The addition of this traffic would substantially improve the traffic base of this line. The elevators at Fairfield largely handle barley, which is shipped to the west coast (10%), the interior of Oregon and Washington,(10%), Minnesota (35%) and locally in Montana. Rail continues to remain the dominant mode although truck diversion has and continues to occur. Based on Department of Agriculture records for several of the elevators at Fairfield, roughly two thirds of the wheat and 90 percent of the barley moved by rail in 1979.

^{1/} Barley destinations tend to vary from year to year, depending upon the proportion of the crop sold for feed or malting purposes.

^{2/} A more specific determination of modal changes with time was difficult to determine due to uncomplete records.

^{3/} Milwaukee records indicate that 814, 777, and 702 carloads, originated or terminated at Fairfield in 1977, 1978, and 1979, respectively.

2. REVENUES AND COSTS OF RAIL SERVICE

<u>Attributable Revenues</u>	1978 Traffic ^{1/}		
	<u>Pendroy BN only</u>	<u>Choteau BN only</u>	<u>Pendroy BN & MILW</u>
1. Freight Originated and/or Terminated On-Branch	\$ 517,000	\$ 349,000	\$ 890,000
2. Switching			
3. Demurrage			
4. All Other			
5. Total Revenues Attributable	\$ 517,000	\$ 349,000	\$ 890,000
<u>Avoidable Costs</u>			
6. Off-Branch Costs	\$ 230,000	\$ 157,000	\$ 399,000
7. On-Branch Costs			
a. Maintenance of Way & Structures	\$ 288,000	\$ 159,000	\$ 288,000
b. Maintenance of Equipment	\$ 21,000	\$ 15,000	\$ 26,000
c. Traffic & Transportation	\$ 56,000	\$ 42,000	\$ 56,000
d. Taxes	\$ 31,000	\$ 22,000	\$ 31,000
e. Administrative	\$ 5,000	\$ 3,000	\$ 9,000
f. Miscellaneous	-	-	-
8. Total Avoidable Costs	\$ 631,000	\$ 398,000	\$ 809,000
9. Return on Value	\$ 134,000	\$ 93,000	\$ 135,000
10. Total Costs	\$ 765,000	\$ 491,000	\$ 944,000
11. Total Costs Less Revenue	\$ 248,000	\$ 142,000	\$ 54,000

^{1/} MDH estimates (Burlington Northern branchline account data not available) 1978 dollars.



2. REVENUES AND COSTS OF RAIL SERVICE (Continued)

<u>Attributable Revenues</u>	1978 Traffic ^{1/}		
	<u>Pendroy/Fairfield BN & MILW</u>	<u>Choteau BN & MILW</u>	<u>Choteau/Fairfield BN & MILW</u>
1. Freight Originated and/or Terminated On-Branch	\$ 1,770,000	\$ 772,000	\$ 1,602,000
2. Switching			
3. Demurrage			
4. All Other			
5. Total Revenues Attributable	\$ 1,770,000	\$ 772,000	\$ 1,602,000
<u>Avoidable Costs</u>			
6. Off-Branch Costs	\$ 982,000	\$ 326,000	\$ 890,000
7. On-Branch Costs			
a. Maintenance of Way & Structures	\$ 385,000	\$ 159,000	\$ 222,000
b. Maintenance of Equipment	\$ 41,000	\$ 20,000	\$ 35,000
c. Traffic & Transportation	\$ 154,000	\$ 42,000	\$ 136,000
d. Taxes	\$ 52,000	\$ 22,000	\$ 30,000
e. Administrative	\$ 18,000	\$ 7,000	\$ 16,000
f. Miscellaneous	-	-	-
8. Total Avoidable Costs	\$ 1,632,000	\$ 576,000	\$ 1,329,000
9. Return on Value	\$ 228,000	\$ 94,000	\$ 134,000
10. Total Costs	\$ 1,860,000	\$ 670,000	\$ 1,463,000
11. Total Costs Less Revenue	\$ 70,000	(\$ 102,000)	(\$ 139,000)

3. CONDITION OF PLANT, EQUIPMENT AND FACILITIES

This line, a former Great Northern branch, consists of a single track with passing sidings at Choteau and Pendroy. The line runs through gently rolling terrain with a gradient generally ascending towards Pendroy. Excluding the Milwaukee trackage between Eastham Jct. and Choteau Jct., the maximum grade is one percent and the maximum curvature is six degrees. The maximum time-table speed between Power and Pendroy is 25 mph.

In March 1980, the Burlington Northern and the Milwaukee Road reached tentative agreement on the sale of selected Milwaukee properties among which was the joint trackage between Eastham Jct. and Choteau. This agreement was tentatively approved by the Reorganization Court in March, 1980, subject to ICC approval under Ex Parte No. 282 (Sub-No.4) entitled Acquisition Procedures for Lines of Railroads in Reorganization. On May 15, 1980, the Burlington Northern filed its application for authority to permanently acquire and operate this segment (along with others) with the ICC. On August 22, 1980 the sale was approved by the ICC.

A physical inspection of the line was conducted by Railway Multi-Engineering, Inc. for the MDH during April, 1980 with quantitative data samples being taken at nine locations and qualitative spot checks taken at several additional locations to verify the consistency of track work and conditions. The jointly owned trackage between Eastham Junction and Choteau was excluded, however; this trackage was inspected during June, 1979 by the predecessor firm and found to be in fair condition.^{1/} The remainder of the track was found to be poor to fair condition with major deficiencies being the need for cross leveling, tie renewals, and ballasting.^{2/}

Results of the inspection concluded that the line does not meet Class I standards. However, with normal yearly maintenance, these standards could be met. The annual cost to maintain this line at Class I standards was estimated to be \$229,978 (\$5,168 per mile).^{3/}

^{1/} "Consultants' Report" June, 1979 prepared by Railway Technical Services, Inc. for RCAI.

^{2/} For a more complete report on observed conditions, see pages 32 through 36 of the "Consultants' Report" dated May, 1980 prepared by Railway Multi-Engineering, Inc. for RCAI.

^{3/} For a more complete explanation and breakdown of annual maintenance cost estimates for each line, see page 44 through 47 of the "Consultants' Report" dated May, 1980 prepared by Railway Multi-Engineering, Inc. for RCAI.

The cost for rehabilitating the line (excluding Eastham Jct. to Choteau portion) to fully meet FRA Track Class II conditions is as follows:

<u>Description</u>	<u>Unit</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Cost</u>
Cross-tie Replacement	each	7,059	27.25/ea.	\$ 192,358
Bolt Tightening	mile	44.5	515.00/mi.	22,917
Replace Missing Bolts, Nuts & Washers	each	7,952	6.00/ea.	47,712
Replace Missing Tie Plates	each	12,761	6.75/ea.	86,137
Replace Switch Ties	each	222	96.00/ea.	21,312
Turnout Repairs	items	16	1,680.00/ea.	26,880
Ballast Dump	cu.yd.	31,515	5.00/cu.yd.	157,575
Surface, Line & Dress	mile	44.5	3,660.25/mi.	162,881
Spikes	each	21,120	1.00/ea.	21,120
Total for 44.5 miles				\$ 738,892
Costs per Mile				\$ 16,604

The cost for rehabilitating the Milwaukee trackage between Fairfield and Choteau (including the jointly owned trackage between Eastham Jct. and Choteau) to fully meet FRA Track Class II conditions was estimated to be \$396,963 in 1979. Allowing for a 15 percent inflation factor, the cost of rehabilitating this trackage is as follows in 1980:

Fairfield to Eastham Jct. (10.6mi)	\$ 278,102
Eastham Jct. to Choteau (6.3mi)	\$ 178,405
Cost per Mile	\$ 26,236

The annual cost of maintaining this line at Class II standards is estimated to be \$315,685 (\$7,094 per mile).^{1/}

^{1/} For a more complete explanation and breakdown of annual maintenance cost estimates for each line, see pages 44 through 47 of the "Consultants' Report" dated May, 1980 prepared by Railway Multi-Engineering, Inc. for RCAI.

The total salvage value of the line was estimated to be \$2,203,020. Take-up costs were estimated to be \$ 578,500 for a net salvage value of \$1,624,520 (\$36,506 per mile).

4. FUTURE FREIGHT SERVICE NEEDS

All shippers located along the present Burlington Northern line (and the nearby Milwaukee line as well) face a common set of problems: a functioning line capable (in terms of rail weight and condition) of handling fully laden covered hopper cars, but a track structure definitely needing rehabilitation; minimal rail service; rate structures which do not produce much incentive for the Burlington Northern to serve or improve this line, and the truck/barge competition resulting from relative proximity to river ports and backhaul opportunities.^{1/} The Burlington Northern has in recent years sought to minimize expenditures incurred on this line and can be expected to provide continuing rail service only so long as it remains marginal (or better) and major investment is not required in maintaining or rehabilitating the track structure. The elevator facilities are of the same era as the rail line.

A continuing need does exist for providing rail service to Fairfield and, to a lesser extent, Choteau. The difference lies in that volume wheat shipments can be made by unit train through a grain sub-terminal, whereas little technological change is foreseen in barley movements to feed lots and malt houses. Elevator operators simply do not make many multi-car barley shipments, nor is there much capability on the receiving end to efficiently handle such shipments. Consequently, MDH anticipates little opportunity for changing present barley transport practices, and thus foresees a continuing need to retain conventional rail service to Fairfield, given the concentration of elevators specializing in barley at that location. Retention of rail service at Choteau is based both on proximity to Fairfield and the volume of cars handled each year at this location.

^{1/} Rail rates for moving wheat to the west coast are the same at all stations located on this line and at nearby mainline stations as well. Rates at Fairfield and Great Falls are 2.5 percent and 4.3 percent less than at Choteau, respectively.

MDH anticipates that a grain sub-terminal facility will eventually be constructed somewhere along the western edge of the Golden Triangle. Under this concept, wheat shipments presently made by rail from existing facilities along this and other lines would, to a large extent, be trucked to a centralized facility where they would be loaded into 100-ton hopper cars. Shipments would be made in 50 to 60 car units, rather than by single cars as at present. The grain sub-terminal concept offers the possibility of major economies of scale (hence lower transport costs) through better utilization of the car fleet (probably dedicated equipment) and more reliable service (use of unit trains). It is the only long-term, technologically advanced solution possible today -- perhaps the only way to reduce or control ever-escalating grain (wheat) transport costs. It does represent a rather dramatic departure from past marketing practices, however.

Although diversion to truck has occurred in recent years, this loss reflects car supply and service problems rather than any significant rate advantages. Elevator operators still prefer rail service over trucks as rail provides better control over the price ultimately received at the grain markets. Given the proximity to river ports, it is somewhat surprising that even greater diversion to truck has not taken place. Thus, the Department concludes that there is a continuing need for rail services, especially at Fairfield and Choteau.

5. EFFECTS OF ABANDONMENT ON STATE TRANSPORTATION NEEDS

Products shipped or received on this line account for 0.15 percent of all traffic originating or terminating in Montana in 1979. Thus the impact of abandonment on state transportation needs would be minimal.

6. IMPACTS OF SUBSTITUTING ALTERNATE RAIL OR OTHER MODES

Alternate rail service is not feasible for this line. Non-rail alternatives consist of (1) trucking to intermediate river ports (eg., Lewiston, Central Ferry, Clarkston), (2) local trucking to other grain public warehouses, primarily in Great Falls, for further shipment (3) a combination of each of the previously mentioned alternatives.

7. METHODS OF ACHIEVING ECONOMIES IN LINE OPERATIONS

This line is served one day per week (Thursday) by one locomotive a (GP-9) and a four-man crew operating out of Great Falls. Further service reductions to achieve substantial operating economies do not appear to be possible.

Four of the alternatives being considered involve consolidation with another railroad.

8. EFFECTS ON OR BY PROFITABLE CARRIERS

No immediate effect on any other rail carrier is anticipated from the continued operation or abandonment of this line.

9. POTENTIAL FOR RAIL BANKING

No rail banking is anticipated for this line.

10. FUTURE OF THE LINE IN RELATION TO THE FEDERAL ASSISTANCE PROGRAM

Calculations made by the MDH using RSP0 costing indicate that without the addition of Milwaukee traffic, attributable revenues are less than avoidable costs for both 1978 and 1979.

No decision has been made by the Burlington Northern as to whether to seek the abandonment of this line. Limited federal financial assistance is available for enhancing the viability of light density lines or mitigating the effects of abandonment. Such assistance can be used for subsidizing operations, acquisition, rehabilitation or substitute service. (Projects involving acquisition, rehabilitation, or substitute service are required to be the subject of a benefit-cost analysis resulting in the selection of those projects offering the greatest return).

While this line did not, in RMEI's opinion, technically meet FRA Track Class I standards when inspected, the track can be brought into full compliance with Class I standards through normal maintenance (\$5,168/mile). To achieve Class II standards, track rehabilitation would be required. Whether MDH would seek federal financial assistance to rehabilitate portions of this line (i.e., between Power and Choteau and the former Milwaukee segment between Fairfield and Eastham Jct.) has yet to be determined. (See Section 12 for the reasoning involved.)

11. DESCRIPTION OF ALTERNATIVES EVALUATED: RESULTS

No non-rail alternatives other than abandonment have been evaluated.

Several scenarios for continued operations were analyzed. The two investment options considered were:

- Retain present rail service without rehabilitation (FRA essentially, continuation of Track Class I conditions)
- Undertake a one-time rehabilitation (using FRA and local funds) to improve the track structure such that it will meet FRA Track Class II standards for at least five years.

Six configuration/ownership options were also evaluated:

- Operation of the line as it now exists.
- Termination of the line at Choteau (BN traffic only).
- Operation of the entire line but with the addition of the Milwaukee traffic at Choteau.
- Operation of the entire line plus the addition of the Milwaukee traffic at Choteau and Fairfield.
- Operation of the existing line between Power and Choteau, with the addition of Milwaukee traffic.
- Operation of the Power-Pendroy and Eastham Jct. - Fairfield segments.

The only traffic scenario considered was base year traffic.

The results obtained from evaluating the above options/scenarios are shown on Tables 13A and 13B. Table 13A shows (1) the present value of costs over three different time periods and (2) the ratio of the cost of discontinuing rail service divided by the cost of continuing rail service. The latter is essentially a benefit-cost ratio showing the economic efficiency of the different investment, operational and traffic possibilities considered. Table 13B presents a distributional analysis of the gains and losses experienced by various groups over a twenty year time period, were rail service discontinued. The figures shown are based upon component calculations made in determining the cost of discontinuing rail service.

12. OVERALL LIGHT DENSITY LINE ASSESSMENT

Based on MDH calculations (Burlington Northern branchline account records were not available), the line appears to lose \$248 thousand per year with present traffic. This loss can be reduced to \$142 thousand by terminating rail service at Choteau. Adding Milwaukee traffic at Choteau improves the viability of the line considerably; the full line loses approximately \$54 thousand while terminating the line at Choteau would result in a profit of \$52 thousand. Inclusion of the Milwaukee's Fairfield-Eastham Jct. segment produces mixed results; a \$90 thousand loss would occur with retention of rail service to Pendroy while a \$139 thousand profit would result if the line were terminated at Choteau. The former stems from the necessity of adding train operations to handle the additional traffic.

Apparently, firms along this line anticipate only relatively modest transport cost increases were rail service discontinued. Curiously enough, the projected increase was attributable to agribusinesses rather than to grain elevators. Indications elsewhere have been that when rail service is discontinued truck rates rise to a point where an adequate return could be achieved by the various independents competing for the business. For example, if the resulting adjustment resulted in a truck rate three cents per bushel above the rail rate (stemming from the loss of intramodal competition), this would result in a further cost increases of \$25 to \$40 thousand per year for shippers located along this line. Obviously, this charge is passed back to the farmer.

Irrespective of Montana's recent actions directed at retaining competitive rail service, the analysis shows the desirability of combining together the principal traffic generating points of two unprofitable lines operated in the past by different carriers to produce one line capable of standing on its own.

The logical "system" consists of BN's Power - Choteau segment and the Milwaukee's Fairfield - Eastham Jct. segment. The former is both shorter and in better condition than the Milwaukee's Vaughn - Fairfield connector and thus rehabilitation costs will be less. Long-term retention of the Choteau - Pendroy segment is uneconomic and unnecessary, especially since the same firm owns grain public warehouses at Choteau and Pendroy.

Paring down the system and continuing business as usual is no solution; whoever serves Fairfield and Choteau must attack and solve the fundamental problems affecting the quality of service being offered, thus stemming and reversing the diversion taking place during the past several years. Otherwise, the long-term viability of local rail service to these stations cannot be assured. Had it not been for the high proportion of barley grown in this area, a grain sub-terminal solution would probably have been proposed as the long-term alternative instead of continuation of light density line rail service.

Even though the Burlington Northern has successfully acquired the Milwaukee trackage (and traffic), the Department anticipates that an abandonment application may ultimately be filed for the Choteau - Pendroy segment. If it can be proven that the line is indeed unprofitable, the Department would not oppose such an application for this portion of the line only.

13. RELATIONSHIP OF DECISION TO EVALUATION CRITERIA

The decision to oppose abandonment of rail service at Fairfield and Choteau is based on MDH findings that such service is economically viable, particularly since the present competing rail trackage is "consolidated" and operated by a single carrier. Also the traffic generated at Fairfield (barley) does not readily lend itself to a grain sub-terminal solution.

TABLE 13A
EVALUATION OF ALTERNATIVE IMPLEMENTATION OPTIONS

<u>Alternative</u>	<u>Present Value of Costs</u> ^{1/}			<u>Ratio</u> ^{2/}	
	<u>First Quarter</u>	<u>First Year</u>	<u>Total 20 yrs</u>	<u>First Year</u>	<u>Over 20 yrs</u>
<u>Abandon the Entire Line</u> ^{3/}	7,850	28,072	305,320		
<u>Abandon Segments</u>					
Choteau to Pendroy	0	0	0		
Fairfield to Eastham Jct. ^{4/}	73,891	250,312	944,589		
<u>Retain Rail Service</u> ^{5/}					
1. Power to Pendroy	351,351	813,359	3,234,396	0	0
2. Power to Choteau	224,079	511,123	1,897,362	0	0
3. Power to Pendroy	303,685	632,386	727,915	0	0
4. Power to Pendroy & Fairfield	465,848	966,034	1,844,636	0.26	0.51
5. Power to Choteau	176,413	325,322	(182,314)	0	<u>6/</u>
6. Power to Choteau & Fairfield	220,393	371,588	(985,364)	0.67	<u>6/</u>

^{1/} Parenthesis indicates that revenues exceed costs; hence alternative is profitable. All figures in 1978 dollars. Data source: Detailed Summary of Economic Impacts (unpublished material).

^{2/} This ratio is the cost of abandoning the entire line divided by the cost of each of the continued rail service options. This ratio is analogous to a benefit-cost ratio.

^{3/} Burlington Northern line only. All costs of discontinuing rail service occur at Choteau.

^{4/} Milwaukee trackage; not part of the Power to Pendroy Line. See assessment for the Milwaukee's Great Falls to Agawam line (Line No. 1)

^{5/} Based on 1978 traffic and rehabilitation to FRA Track Class II standards. First two alternatives are based solely on Burlington Northern traffic; latter four on a combination of BN and Milwaukee traffic. Rehabilitation costs estimated at \$591 thousand for Alternatives 1 and 3, \$385 thousand for Alternatives 2 and 5, \$903 thousand for Alternative 4, and \$518 thousand for Alternative 6. Rehabilitation expenditures assumed to occur during first two quarters of the first year.

^{6/} Not applicable, since the line earns a profit for the particular alternative shown over a 20 year period.

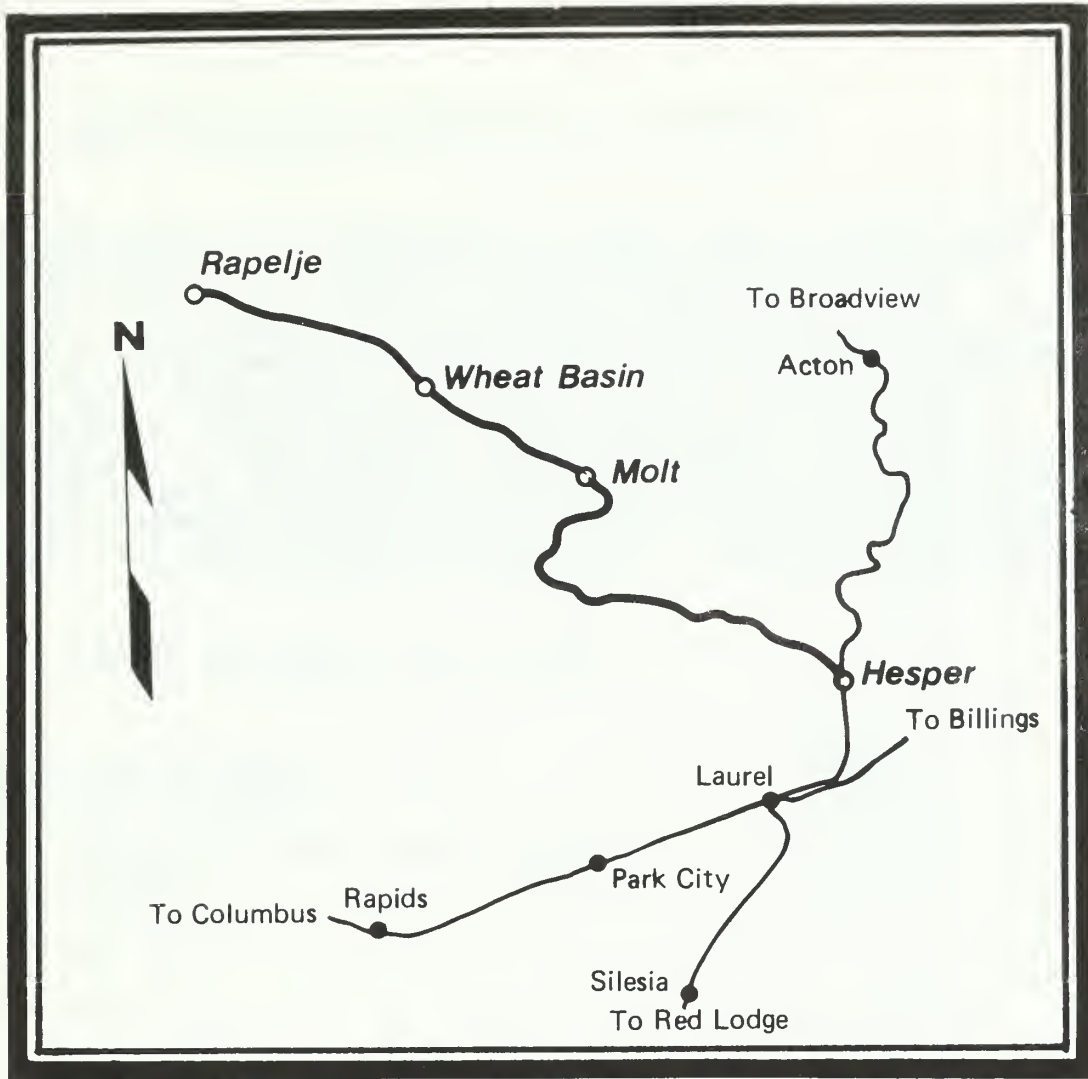
TABLE 13B
DISTRIBUTIONAL ANALYSIS

Component Impact ^{1/}	Affected Group	Gain/Loss(\$000 ³⁾) ^{2/}
1. Wage and Salary Loss ^{3/} in Affected Counties	General Populace	0
2. Offsetting Gains Else- where in Montana	Other Counties	0
3. Loss in Local Purchases in Affected Counties	Business Community	0
4. Offsetting Gains Else- where in Montana	Other Counties	0
5. Unemployment Payments	Employers throughout Montana	0
6. Income Tax Loss	State Government	0
7. Transport Cost Increase ^{5/}	Shippers	- 305 at Choteau - 945 at Fairfield
8. Increased Highway Main- tenance & Reconst. Cost	MDH	<u>4/</u>
9. Attributable Revenues Less Avoidable Costs ^{6/}	Shippers or Owning RR	ranges from -3,234 to + 985
10. Opp. Costs Realized through Abandonment ^{7/}	Owning RR	+ 9,104 (+593 for Fairfield-Eastham Jct. segment)

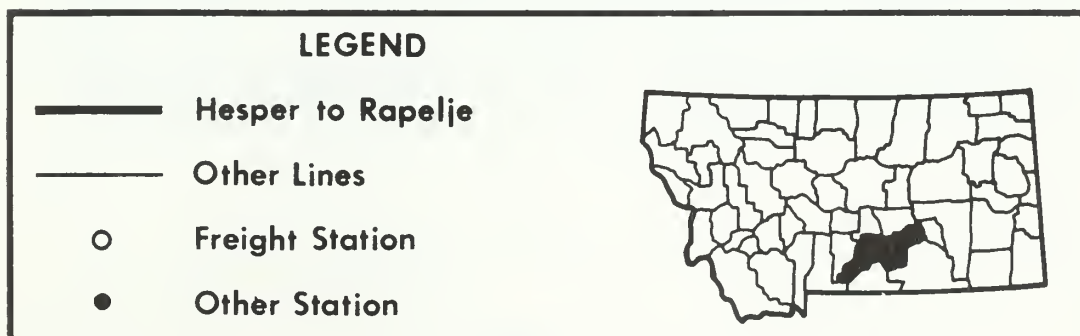
- ^{1/} Source for most date items: Detailed Summary of Economic impacts. Unpublished material.
- ^{2/} Present value over a 20-year period.
- ^{3/} Represents primary and secondary wage loss less any increases in local trucking employment.
- ^{4/} A detailed analysis of the impact of increased trucking on Routes 89 and 287 and secondary Routes 219, 220, and 221 has not been performed.
- ^{5/} For grain movements represents combination of local trucking to nearby elevators and trucking to a river port for continuing movement by barge.
- ^{6/} Continued operation as at present with rehabilitation to Class II standards. 1978 traffic.
- ^{7/} Net Salvage value invested at nine percent interest for 20 years.

Line 14

Hesper to Rapelje



This line, the 12th Subdivision of the Burlington Northern's Montana Division, extends from Hesper to Rapelje, a distance of 38.2 miles in Yellowstone and Stillwater Counties. The line is currently classified as ICC Systems Diagram Category 5 (lines for which abandonment is not presently contemplated by the owning railroad). The line is potentially eligible for federal financial assistance for the purpose of enhancing its long-term viability.



1. FREIGHT TRAFFIC AND CHARACTERISTICS OF SHIPPERS

The three rail-oriented firms located along this line reported shipping 274 carloads (approximately 18,000 tons) of wheat to the Pacific North Coast (primary Portland, Oregon) during 1979.^{1/} Of this traffic, approximately 41 percent originated at Molt, 41 percent at Rapelje and the remainder at Wheat Basin. The 1979 figures represent a 40 percent increase over 1978 shipments and an even more dramatic increase over 1977 shipments of wheat when only 49 carloads were shipped.^{2/} All three shippers indicated that more grain could have been shipped from stations on this line had additional rail cars been available. Inbound shipments consisted of four carloads of fertilizer originating in Canada. All three shippers are grain public warehouses (elevators).

2. REVENUES AND COSTS OF RAIL SERVICE

<u>Attributable Revenues</u>	<u>Year 1978^{3/}</u>	<u>Year 1979^{3/}</u>
1. Freight Originated and/or Terminated On-Branch.	\$ 353,000	\$ 501,000
2. Switching.		
3. Demurrage.		
4. All Other.		
5. Total Revenues Attributable.	\$ 353,000	\$ 501,000

^{1/} Commodity flow data obtained through interviews with shippers located on this line.

^{2/} Burlington Northern traffic data. The change in rail volumes reflects both variances in local wheat production and the usage of other modes (trucking).

^{3/} MDH estimates (Burlington Northern branchline account data not available), 1978 dollars.

2. REVENUES AND COSTS OF RAIL SERVICE (Continued)

<u>Avoidable Costs</u>	<u>Year^{1/} 1978</u>	<u>Year^{1/} 1979</u>
6. Off-Branch Costs.	\$ 164,000	\$ 229,000
7. On-Branch Costs		
a. Maintenance of Way & Structures	\$ 213,000	\$ 213,000
b. Maintenance of Equipment	\$ 5,000	\$ 6,000
c. Traffic & Transportation	\$ 11,000	\$ 16,000
d. Taxes	\$ 23,000	\$ 23,000
e. Administrative	\$ 4,000	\$ 5,000
f. Miscellaneous	-	-
8. Total Avoidable Costs.	\$ 420,000	\$ 492,000
9. Return on Value	\$ 99,000	\$ 100,000
10. Total Costs.	\$ 519,000	\$ 592,000
11. Total Costs Less Revenues.	\$ 166,000	\$ 91,000

3. CONDITION OF PLANT, EQUIPMENT AND FACILITIES

This line consists of a single track with passing sidings at Molt and Wheat Basin. The line runs through rolling terrain with a one percent maximum gradient towards Rapelje. The maximum time-table speed between Hesper and Rapelje is 25 mph.

A physical inspection of the line was conducted during April, 1980 by Railway Multi-Engineering, Inc. for the MDH with quantitative data samples being taken at eight locations and additional spot checks at several other locations to verify the consistency of track work and conditions. The line was found to be in fairly good condition; the major deficiencies being required tie renewals and missing tie plates. Poor drainage conditions were also noted at several locations along the line.

The track inspection revealed that the line technically does not comply with FRA Track Class I safety standards.

^{1/} MDH estimates (Burlington Northern branchline account data not available), 1978 dollars.

However, if one year's normal maintenance was performed on the line, Class II requirements could be met.^{1/}

Major rehabilitation is not required to bring the line into conformance with FRA track standards. The cost of maintaining the line at Class I and Class II standards is estimated to be \$193,069 (\$5,062 per mile) and \$266,526 (\$6,988 per mile), respectively.^{2/}

The total salvage value of the line was estimated to be \$627,836. Take-up costs were estimated to be \$495,820 for a net salvage value of \$132,016 (\$3,461 per mile).

4. FUTURE FREIGHT SERVICE NEEDS

All three shippers located along this line have a common problem: a functioning but obsolete rail line, minimal rail service, and rate structures which produce no incentives for the Burlington Northern to serve or improve this line, let alone provide an adequate supply of cars. The Burlington Northern, has in recent years sought to minimize expenditures on this line and can be expected to provide continuing rail service only so long as it remains marginal (or better) and major investment is not required in maintaining or rehabilitating the track structure. The elevator facilities are of the same era as the rail line. Given the general obsolescence of the physical plant and the rather close proximity of the line to other Burlington Northern lines and the Interstate highway system, each of the three shippers has sought to reduce his dependency upon the rail system. The elevator operator at Molt has in recent years shifted a sizeable portion of his shipments over to truck. The elevator operator in Rapelje owns and operates a companion facility at Chadborn and encourages farmers, in return for a reduction in transport costs, to deliver a substantial portion of the local wheat crop to this alternative location. Also a factor is the greater availability of cars, more frequent local service, and substantially lower rail rates at Chadborn. Each elevator operator fully recognizes the long-term vulnerability of operations on this line.

^{1/} Complete report on track conditions may be found on pages 27 through 31 of "Consultants' Report" dated May, 1980 by Railway Multi-Engineering, Inc. prepared for RCAI.

^{2/} Complete explanations and breakdowns of annual maintenance costs may be found on pages 44 through 47 of "Consultants' Report" prepared by RMEI in May, 1970 for RCAI.

Continuation of business as usual does not appear to be a viable, long-term option. Some consolidation or relocation of elevator operations is inevitable. The question is one of when and how. Three possibilities exist. The first involves continuing substitution of truck-barge for rail, the usage of which will fluctuate from year to year depending upon the relative cost of truck versus rail and car supply. This is already happening and is aided by the proximity of the Interstate system, which in itself provides some measure of rate protection were rail service terminated. The second involves elevator relocation or acquisition of facilities on rail lines likely to remain in operation on a continuing basis. Having companion facilities helps insulate the operator from economic impacts and the erosion of business were rail service terminated. Were rail service terminated, the facility losing rail service would become a satellite facility to that retaining such service. This too has happened. Both of these possibilities presume that the future marketing of grain will be a continuation of past practices with only a mode or elevator substitution occurring. This is not necessarily so. The third possibility is based on the premise that a grain sub-terminal facility will eventually be constructed in the Billings area.^{1/} Under this concept, wheat shipments presently made by rail from the three elevators located along this and other lines or transshipped through elevators located elsewhere would instead be trucked to a centralized facility where it would be loaded into 100-ton hoppers. Shipments would be made in 50 to 60 car units, rather than by single cars as at present. The grain sub-terminal concept offers the possibility of major economies of scale (hence lower transport costs) through better utilization of the car fleet (probably dedicated equipment) and more reliable service (use of unit trains). It is the only long-term technologically advanced solution possible today -- perhaps the only way to reduce or control ever-escalating grain transport costs. It does, however, represent a rather drastic departure from past marketing practices centered in the relatively-small county elevator. Provision and utilizations of such a sub-terminal by the three shippers involved would eventually permit the retirement of this particular line.

5. EFFECTS OF ABANDONMENT ON STATE TRANSPORTATION NEEDS

Products shipped or received on this line account for 0.07 percent of all traffic originating and terminating in Montana in 1979. Thus the impact of abandonment on the total transportation needs of the state is minimal.

^{1/} Although a large elevator facility already exists in the Billings area, it is not presently operating as a grain sub-terminal facility.

6. IMPACTS OF SUBSTITUTING ALTERNATE RAIL OR OTHER MODES

Alternate rail service is not feasible for this line. Traffic volumes are insufficient to sustain operations by a short-line railroad.

Shippers have generally indicated that they would use both short and long distance trucking for grain movements to the west coast. The former would involve trucking grain from the Rapelje - Molt area to alternate elevators located at Acton, Broadview, Columbus or Laurel. Each of these alternate loading sites is located on the Burlington Northern system.

Some increase in truck volumes would occur on secondary routes 302 and 306. Traffic in 1978 on Route 302 averaged 1250 vehicles per day and 100 vehicles per day on Route 306. The resulting impacts of the shift of grain movements from rail to the highway system is considered to be negligible.

7. METHODS OF ACHIEVING ECONOMIES IN LINE OPERATIONS

This line has, in the past, been served on an as-needed basis by one locomotive (a GP-9) and a four-man local crew operating out of Laurel. Further service reductions to achieve substantial operating economies do not appear to be possible.

8. EFFECTS ON OR BY PROFITABLE CARRIERS

No effect on any other rail carrier is anticipated from the abandonment or continued operation of this line.

9. POTENTIAL FOR RAIL BANKING

No rail banking is anticipated for this line.

10. FUTURE OF THE LINE IN RELATION TO THE FEDERAL ASSISTANCE PROGRAM

Calculations made by the MDH using RSPO costing principles indicate that attributable revenues are less than avoidable costs for both 1978 and 1979.

No decision has been made by the Burlington Northern as to whether to seek the abandonment of this line. Limited federal financial assistance is available for enhancing the viability of light density lines or mitigating the effects of abandonment. Such assistance can be used for subsidizing operations, acquisition, rehabilitation or substitute service. (Projects involving acquisition, rehabilitation, or substitute service are required to be the subject of a benefit-cost analysis resulting in the selection of those projects offering the greatest return.)

While this line did not, in RMEI's opinion, meet FRA Track Class I standards when inspected, the track can be brought into full compliance with Class I or II standards through normal maintenance. Since track rehabilitation is not required, it is highly unlikely that MDH will seek federal financial assistance for this line.

11. DESCRIPTION OF ALTERNATIVES EVALUATED: RESULTS

No non-rail alternatives other than abandonment have been evaluated. While the traffic is concentrated at three stations, no segmentation is possible given the distribution of traffic among the three stations.

In regard to continued rail service, the only investment option is to retain present rail service without rehabilitation. Only one traffic scenario (present traffic) has been evaluated.

The results obtained from evaluating the above options/scenarios are shown on Tables 14A and 14B. Table 14A shows (1) the present value of costs over three different time periods and (2) the ratio of the cost of discontinuing rail service divided by the cost of continuing rail service. The latter is essentially a benefit-cost ratio showing the economic efficiency of the different investment, operational and traffic possibilities considered. Table 14B presents a distributional analysis of the gains and losses experienced by various groups over 20 year time period, were rail service discontinued. The figures shown are based upon component calculations made in determining the cost of discontinuing rail service.

12. OVERALL LIGHT DENSITY LINE ASSESSMENT

Based on MDH calculations (Burlington Northern branchline account records were not available, the line appears to lose about \$123 thousand per year with present traffic (in this case, an average of 1978, and 1979 traffic)).

No cost is apparently incurred in discontinuing rail service (community impacts) for this line. Based on the alternative transport arrangements already made, the three shippers feel that discontinuance of rail service would not impact the economics of marketing or transporting grain. Assuming this assessment to be correct, the ratio of the cost of discontinuing rail service to continuing such service (analogous to a benefit-cost ratio) is 0.0. Since this ratio is less than 1.0, MDH concludes that the economic benefits achieved are insufficient to warrant the continuation of rail service, assuming that the Burlington Northern eventually elects to abandon this line.

While the inadequacy of rail service and car supply problems have probably contributed to the erosion of the traffic base, MDH concludes that this is inevitable given the marginal economics of the line, the small traffic base, and the limited prospects for additional traffic. While there is some evidence that up to 200 additional carloads of wheat are potentially available, this additional traffic is not enough to ensure profitability of the line. Since the shippers are apparently not economically disadvantaged by losing rail service, a strong rationale cannot be made for retaining this line.

Thus, the basic need is not to retain obsolete facilities and minimal rail service, but to encourage an orderly transition to other transport arrangements (rail and/or truck) and grain public warehouse facilities.

The Department anticipates that an abandonment application may eventually be filed by the Burlington Northern. Since the line appears to be marginal at best and a strong economic or social case cannot be made for continuing rail service, the Department will not oppose the abandonment of this line. The Department would, however, like to see any abandonment action held in abeyance until a grain sub-terminal facility (or the equivalent) has been established, thus providing a modern day alternative for the three shippers located on this line.

13. RELATIONSHIP OF DECISION TO EVALUATION CRITERIA

The decision not to oppose abandonment of service on this line is based on the following criteria in the Montana Planning Work Statement, dated June 1979.

- The line does not have long-term economic viability.
- The economic impacts of abandonment are negligible.
- Little community impact would result from abandonment.
- Abandonment would cause only very small changes in energy use and other environmental factors.
- The line is not essential to the state or regional rail network.
- Alternative modes are available.

TABLE 14A
EVALUATION OF ALTERNATIVE IMPLEMENTATION OPTIONS

<u>Alternative</u>	<u>Present Value of Costs</u> ^{1/}			<u>Ratio</u> ^{2/}	
	<u>First Quarter</u>	<u>First Year</u>	<u>Total 20 yrs</u>	<u>First Year</u>	<u>Over 20 yrs</u>
<u>Abandon the Entire Line</u>	0	0	0		
<u>Retain Rail Service</u>					
1978 traffic, w/o rehab.	40,786	158,984	1,779,517	0.00	0.00
1979 traffic, w/o rehab.	22,359	87,154	975,519	0.00	0.00

^{1/} Parenthesis indicated that revenues exceed costs; hence alternative is profitable. Data Source: Detailed Summary of Economic Impacts (unpublished material). All figures in 1978 dollars.

^{2/} This ratio is the cost of abandoning the entire line divided by the cost of each of the continued rail serve options. This ratio is analogous to a benefit-cost ratio.

TABLE 14B
DISTRIBUTIONAL ANALYSIS

Component Impact ^{1/}	Affected Group	Gain/Loss(\$000 ³⁾ ^{2/}
1. Wage and Salary Loss ^{3/} in Affected Counties	General Populace	0
2. Offsetting Gains Else- where in Montana	Other Counties	0
3. Loss in Local Purchases in Affected Counties	Business Community	0
4. Offsetting Gains Else- where in Montana	Other Counties	0
5. Unemployment Payments	Employers throughout Montana	0
6. Income Tax Loss	State Government	0
7. Transport Cost Increase ^{5/}	Shippers	0
8. Increased Highway Main- tenance & Reconst.Cost	MDH	<u>4/</u>
9. Attributable Revenues Less Avoidable Costs ^{6/}	Shippers or Owning RR	- 1,378
10. Opp. Costs Realized through Abandonment ^{7/}	Owning RR	+ 608

^{1/} Source for most data items: Detailed Summary of Economic impacts. Unpublished material.

^{2/} Present value over a 20-year period.

^{3/} Represents primary and secondary wage loss less any increases in local trucking employment.

^{4/} A detailed analysis of the impact of increased trucking on secondary Routes 302 and 306 has not been performed.

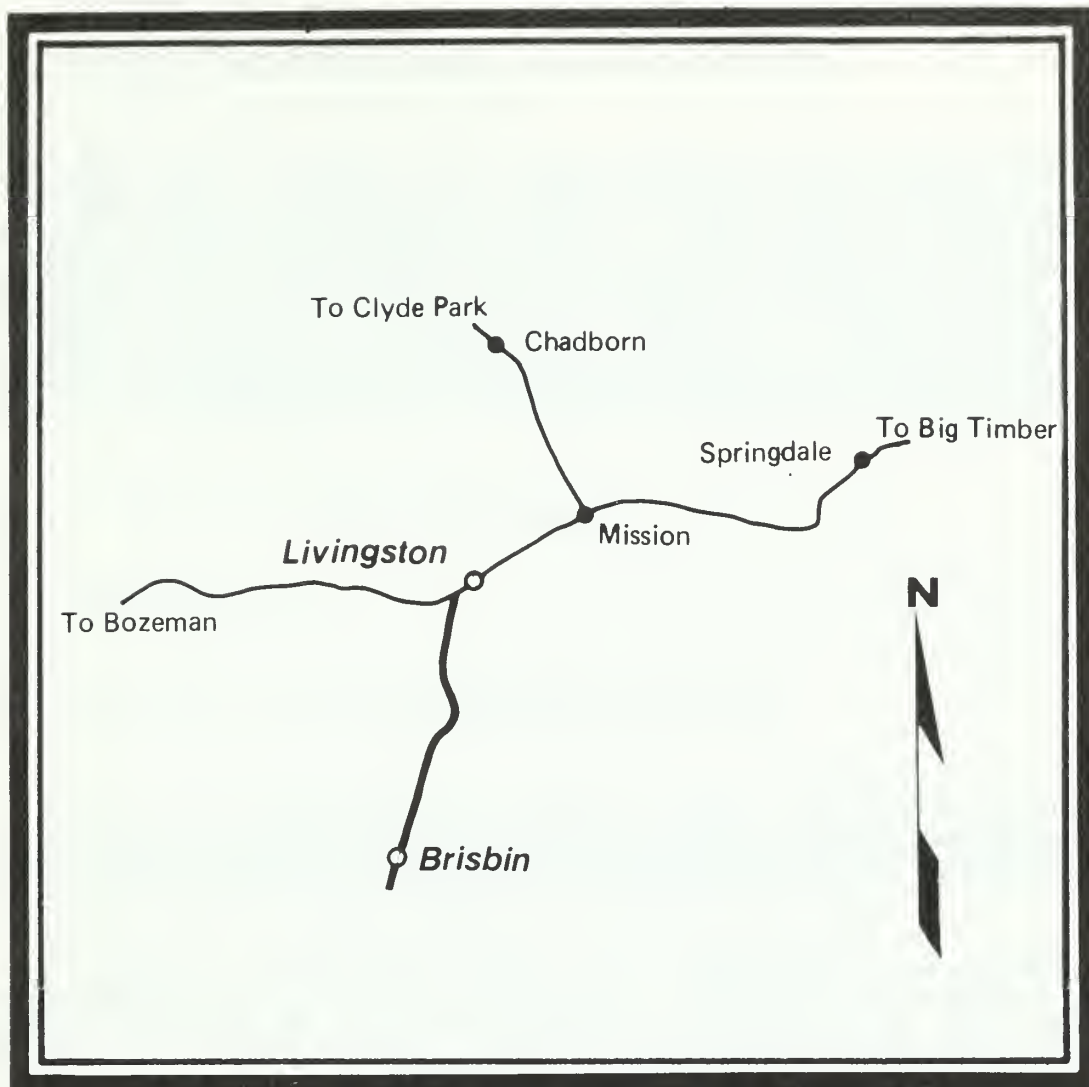
^{5/} For grain movement, represents a combination of local trucking to nearby elevators and trucking to a river port for continuing movement by barge.)

^{6/} Continued operation as at present without rehabilitation. Average of 1978 and 1979 traffic.

^{7/} Net salvage value invested at nine percent interest for 20 years.

Line 15

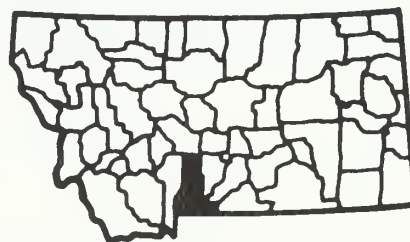
Livingston to Brisbin



This line, the 11th Subdivision of the Burlington Northern's Rocky Mountain Division, extends from Livingston (on the BN's 2nd Subdivision Main Line) to Brisbin, a distance of 10.3 miles in Park County. The line is classified as ICC Systems Diagram Category 5 (lines for which abandonment is not presently contemplated by the owning railroad). However, the line is potentially eligible for federal financial assistance for the purpose of enhancing its long-term viability.

LEGEND

-  Livingston to Brisbin
-  Other Lines
-  Freight Station
-  Other Station



1. FREIGHT TRAFFIC AND CHARACTERISTICS OF SHIPPERS

Rail traffic on this line is generated by the Burlington Northern Railroad itself. Crushed rock, which is used for railroad ballast within the Burlington Northern system, is hauled from a pit and crushing operation located at the end of the line. During 1979, BN officials indicated that between 600 and 1000 carloads of crushed rock were transported out on the line each year. Another rail user, a lumber company, is technically located on the line, but is within the yard limits at Livingston and will continue to receive rail service regardless of any decisions about the future operation of the branchline.

2. REVENUES AND COSTS OF RAIL SERVICE

Non-Revenue Line.

3. CONDITION OF PLANT, EQUIPMENT AND FACILITIES

This line, a former Northern Pacific branch, consists of a single track with no passing sidings.^{1/} The line gently ascends toward Brisbin with a maximum grade of 0.5 percent and maximum curve of five degrees. Maximum speeds are 30 mph between Livingston and Brisbin.

A physical inspection of the line was conducted by Railway Multi-Engineering, Inc. for the MDH during April, 1980 with quantitative data samples being taken at four locations and qualitative spot checks at several additional locations to verify track work and conditions. The line was found to be in fairly good condition; the major deficiencies being required tie renewals and needed replacement of all points and frogs at turnouts. The inspection indicated that the line does not meet FRA Track Class I standards, but could with normal yearly maintenance. The annual cost of maintaining the line at Class I standards is estimated to be \$55,169 (\$5,205 per mile). The annual cost to maintain Class II standards is estimated to be \$75,584 (\$7,131 per mile).

The total salvage value of the line was estimated to be \$195,528. The take-up costs were estimated to be \$137,800 for a net salvage value of \$57,728.

^{1/} At one time, this line extended 54 miles to Gardiner, MT and was the Northern Pacific's gateway for passengers destined to and from Yellowstone Park. The segment between Brisbin and Gardiner was abandoned in 1976.

4. FUTURE FREIGHT SERVICE NEEDS

Burlington Northern officials estimated that approximately 150 carloads of ballast are yet to be transported. At the present time, no further contracts for the removal and crushing of ballast material have been awarded. No other rail-oriented firms are located along the line. Since the Burlington Northern, the only shipper on the line, has expressed its intention to abandon a major portion of the line; it would appear that there is little long-term need for rail freight service on this line.

5. EFFECTS OF ABANDONMENT ON STATE TRANSPORTATION NEEDS

On the basis of present traffic, abandonment of this line would have minimal effect on state transportation needs.

6. IMPACTS OF SUBSTITUTING ALTERNATE RAIL OR OTHER MODES

Alternate rail service is not feasible for this line. The impact of substituting alternate modes is at most be slight.

7. METHODS OF ACHIEVING ECONOMIES IN LINE OPERATIONS

This line is served on an as-needed basis by one locomotive (a GP-9) and a four man local crew operating out of Livingston. Further service reductions to achieve substantial operating economies do not appear possible.

Consolidation, pooling, or joint use are not feasible on this line.

8. EFFECTS ON OR BY PROFITABLE CARRIERS

No effect on any other rail carrier is anticipated from the abandonment or continued operation of this line.

9. POTENTIAL FOR RAIL BANKING

No rail banking is anticipated for this line.

10. FUTURE OF THE LINE IN RELATION TO THE FEDERAL ASSISTANCE PROGRAM

While this line did not, in RMEI's opinion, meet FRA Track Class I standards when inspected, the track can be brought into full compliance with Class I standards through normal maintenance (\$5,205/mile). Since the line is not utilized for revenue freight service and since track rehabilitation is not required, it is highly unlikely that MDH would ever seek federal financial assistance for this line.

11. DESCRIPTION OF ALTERNATIVES EVALUATED: RESULTS

Given the total lack of revenue traffic, a detailed analysis of costs and benefits of continuing or discontinuing rail service was not undertaken.

12. OVERALL LIGHT DENSITY LINE ASSESSMENT

Without revenue traffic, retention or abandonment of this line is not a matter of state interest or concern. Such a decision rests solely with the Burlington Northern.

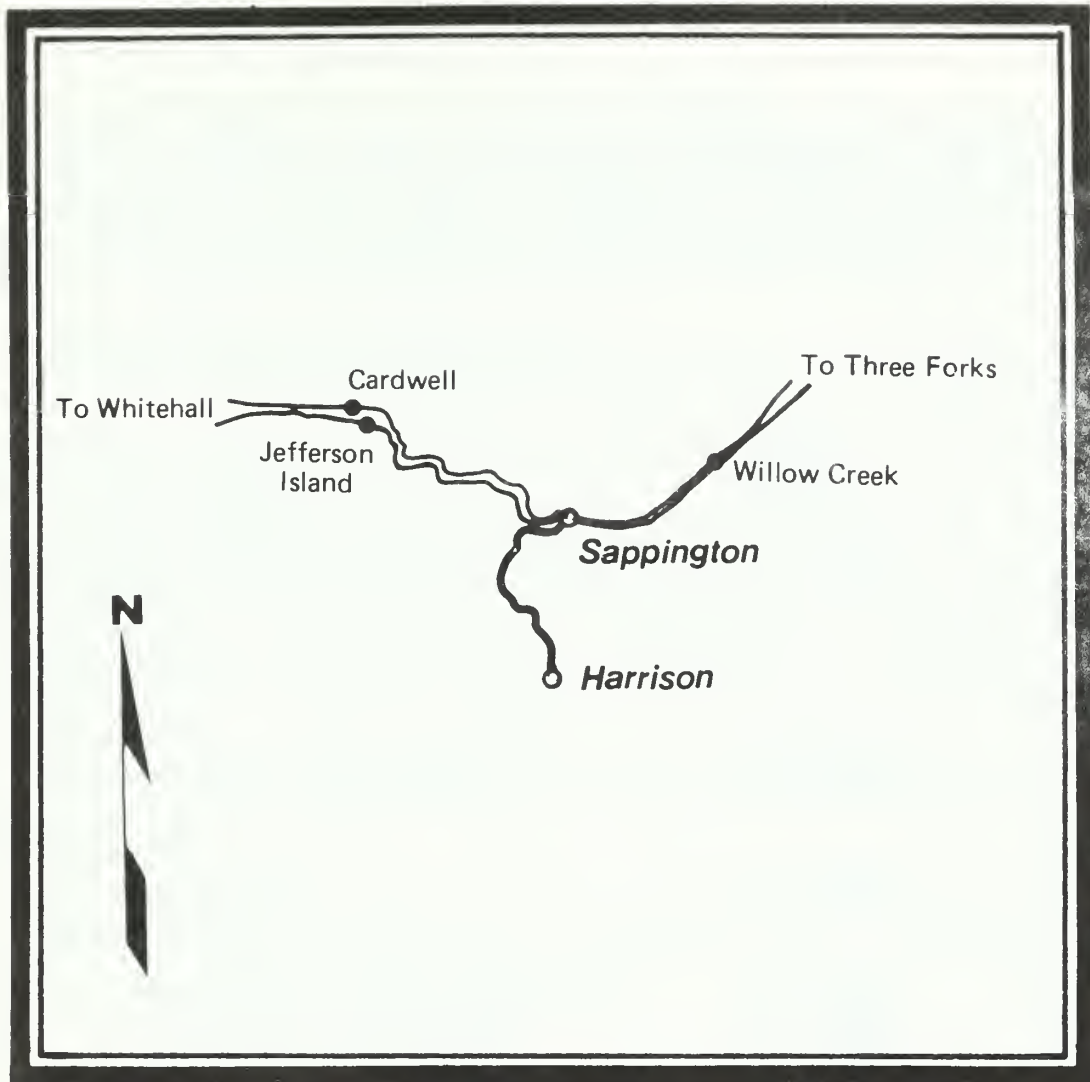
13. RELATIONSHIP OF DECISION TO EVALUATION CRITERIA

The decision not to oppose abandonment of service on this line is based on the following criteria given in the Montana Planning Work Statement, dated June 1979.

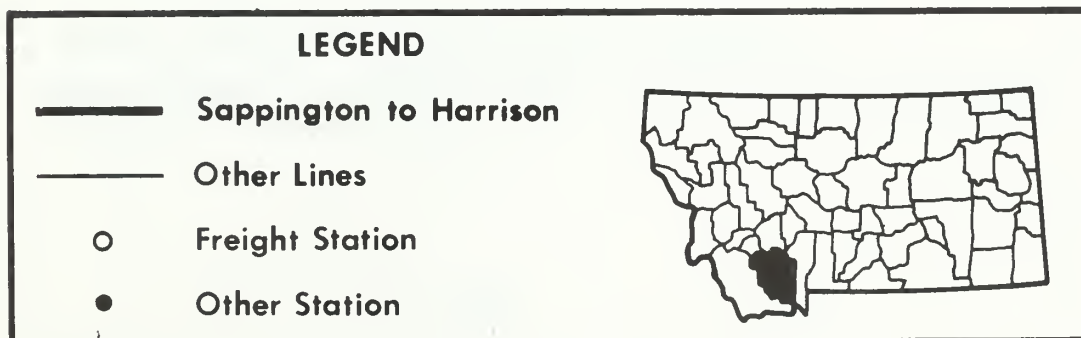
- The line does not serve any shippers in Montana.
- Little or no community impact would result from abandonment.
- The line is not essential to the state or regional rail network.

Line 16

Sappington to Harrison



This line, the 13th Subdivision of the Burlington Northern's Rocky Mountain Division, extends from Sappington (on the BN's 2nd Subdivision Main Line) to Harrison, a distance of 10.0 miles in Gallatin and Madison Counties. This line is classified as ICC Systems Diagram Category 5 (lines for which abandonment is not presently contemplated by the owning railroad). However, the line is potentially eligible for federal financial assistance for the purpose of enhancing its long-term viability.



1. FREIGHT TRAFFIC AND CHARACTERISTICS OF SHIPPERS

The lone shipper on this line, a grain elevator and commercial seed dealer, indicated shipping 29 carloads (approximately 2,800 tons) of wheat and barley during 1979.^{1/} The majority of the wheat and barley handled by the elevator was destined to the Pacific North Coast. Rail traffic in 1979 was comparable to 1977 and 1978 levels.

2. REVENUES AND COSTS OF RAIL SERVICE

<u>Attributable Revenues</u>	<u>Year^{2/} 1978</u>
1. Freight Originated and/or Terminated On-Branch.	\$ 39,000
2. Switching.	
3. Demurrage.	
4. All Other.	
5. Total Revenues Attributable	<u>\$ 39,000</u>
<u>Avoidable Costs</u>	
6. Off-Branch Costs	\$ 18,000
7. On-Branch Costs	
a. Maintenance of Way & Structures	\$ 107,000
b. Maintenance of Equipment	\$ 2,000
c. Traffic & Transportation	\$ 10,000
d. Taxes	\$ 11,000
e. Administrative	-
f. Miscellaneous	-
8. Total Avoidable Costs	<u>\$ 148,000</u>
9. Return on Value	<u>\$ 49,000</u>
10. Total Costs	\$ 197,000
11. Total Costs Less Revenue	\$ 158,000

^{1/} Commodity flow data obtained through interviews.

^{2/} MDH estimates (Burlington Northern branchline account data not available). 1978 dollars.

3. CONDITION OF PLANT, EQUIPMENT AND FACILITIES

This line, a former Northern Pacific line, consists of a single track line running through rolling terrain with 2.02% ruling grade descending toward Sappington.^{1/} Maximum speed between Sappington and Harrison is 25 mph.

A physical inspection of the line was conducted by Railway Multi-Engineering, Inc. for the MDH during April, 1980 with track data samples being taken at five locations and qualitative spot checks at several other points to verify the consistency of the track work and conditions.

Results of the inspection indicated that the line does not technically, meet Class I standards. Class II standards can be attained if normal yearly maintenance is performed. Major deficiencies noted in the inspection report include required tie renewals, replacement of tie plates and some need for additional ballast material. Several locations along the line were identified as potential slide areas, requiring fill material or rip rap to reduce or eliminate the hazard.

Annual costs to maintain the line at FRA Class I or Class II standards are estimated to be \$50,715 (\$5,350 per mile) or \$68,974 (\$7,276 per mile), respectively.^{2/}

The total salvage value of the line was estimated to be \$247,867. Take-up costs were estimated to be \$123,240 for a net salvage value of \$124,627 (\$13,146 per mile).

^{1/} At one time, this line extended somewhat further to mines located at Norris and Pony, MT. The Norris - Harrison segment was abandoned in 1974.

^{2/} Complete breakdowns and explanations of annual maintenance cost estimates are available on pages 44 through 47 of "Consultants' Report" dated May, 1980, prepared by Railway Multi-Engineering, Inc. for RCAI.

4. FUTURE FREIGHT SERVICE NEEDS

Irrespective of whether inadequate rail service or car supply is the fundamental cause or the effect, the fact remains that less than 30 percent of the wheat and barley handled by this grain public elevator used the rail system in 1978 and 1979. Based upon the high proportion of motor carrier usage, it would appear that there is little long-term need for rail freight service on this line.

Were rail service terminated, there is a distinct possibility that transport costs will rise somewhat. While the unit costs of moving grain by rail and truck from this area are presently about equal, truck rates are set on the basis of rail rates. Were competitive rail service not available, truck rates would likely rise to a point where an adequate return could be achieved by the independent truckers competing for the business. Rate protection will depend on (a) the presence of sufficient competition and (b) the proximity of the Interstate system. The latter tends to spur intramodal competition. However, retention of rail service simply to act as a check or control over potential increases in trucking rates is not warranted if the rail mode has been utilized only to a limited degree in recent years.

Even were rail service terminated, partial rate protection is provided by the continuing availability of rail service along the BN's southern transcontinental main line. This would, however, require transshipment. It may also result in the eventual loss in business for the elevator located at Harrison if the farmers elect to transfer their business to elevators located along the main line.

Thus, practical transport alternatives do exist should the Burlington Northern elect to seek the abandonment of this line.

5. EFFECTS OF ABANDONMENT ON STATE TRANSPORTATION NEEDS

Products shipped or received on this line account for 0.01 percent of all traffic originating or terminating in Montana in 1979. Thus, the impact of abandonment on the transportation needs of the state would be minimal.

6. IMPACTS OF SUBSTITUTING ALTERNATE RAIL OR OTHER MODES

Alternate rail service is not feasible for this line. Present traffic volumes are insufficient to sustain operation by a short line railroad. The grain public warehouse would probably utilize the mainline service available at Three Forks or Whitehall and/or increase its dependence upon truck transportation. It is doubtful that changes in rail service or the diversion to motor carrier transport would significantly alter present marketing patterns.

7. METHODS OF ACHIEVING ECONOMIES IN LINE OPERATIONS

This line has, in the past, been served on an as-needed basis by three locomotives (GP-9's), and a four-man crew operating out of Livingston. In 1979, approximately 15 round trips were made on the branchline. Further service reductions to achieve substantial operating economies do not appear to be possible.

Consolidation, pooling, or joint use are not feasible on this line.

8. EFFECTS ON OR BY PROFITABLE CARRIERS

No effect on any other rail carrier is anticipated from the abandonment or continued operation of this line.

9. POTENTIAL FOR RAIL BANKING

No rail banking is anticipated for this line.

10. FUTURE OF THE LINE IN RELATION TO THE FEDERAL ASSISTANCE PROGRAM

Calculations made by the MDH using RSPO costing principles indicate that attributable revenues are substantially less than avoidable costs for 1978.

No decision has been made by the Burlington Northern as to whether to seek the abandonment of this line. Limited federal financial assistance is available for enhancing the viability of light density lines or mitigating the effects of abandonment.

Such assistance can be used for subsidizing operations, acquisition, rehabilitation, or substitute service. (Projects involving acquisition, rehabilitation, or substitute service are required to be the subject of a benefit-cost analysis resulting in the selection of those projects offering the greatest return.)

While this line did not, in RMEI's opinion, meet FRA Track Class I standards when inspected, the track can be brought into full compliance with Class I or II standards through normal maintenance. Since track rehabilitation is not required, it is highly unlikely that MDH will seek federal financial assistance for this line.

11. DESCRIPTION OF ALTERNATIVES EVALUATED: RESULTS

No non-rail alternatives other than abandonment have been evaluated. All of the traffic originated or terminated at Harrison, thus making segmentation of the line infeasible.

In regard to continued rail service, the only investment option is to retain present rail service without rehabilitation. Only one traffic scenario (present traffic) has been evaluated.

The results obtained from evaluating the above options/scenarios are shown on Tables 16A and 16B. Table 16A shows (1) the present value of costs over three different time periods and (2) the ratio of the cost of discontinuing rail service divided by the cost of continuing rail service. The latter is essentially a benefit-cost ratio showing the economic efficiency of the different investment, operational and traffic possibilities considered. Table 16B presents a distributional analysis of the gains and losses experienced by various groups over 20 year time period, were rail service discontinued. The figures shown are based upon component calculations made in determining the cost of discontinuing rail service.

12. OVERALL LIGHT DENSITY LINE ASSESSMENT

Based on MDH calculations (Burlington Northern branchline account records were not available), the line appears to lose about \$151 thousand per year with present traffic.

No cost is apparently incurred in discontinuing rail service (community impacts) for this line. The sole shipper felt that the discontinuance of rail service would not affect the economies of marketing or transporting grain.

Assuming this assessment to be correct, the ratio of the cost of discontinuing rail service to continuing such service (analogous to a benefit-cost ratio is 0.0. Since this ratio is less than 1.0, MDH concludes that the economic benefits achieved are insufficient to warrant the continuation of rail service, assuming that the Burlington Northern eventually elects to abandon this line.

While the inadequacy of rail service and car supply problems have probably contributed to the erosion of the traffic base, MDH concludes that this is inevitable given the marginal economies of the line, the small traffic base, and the limited prospects for additional traffic. Since the affected shipper is apparently not economically disadvantaged by losing rail service, a strong rationale cannot be made for retaining this line.

The Department anticipates that an abandonment application may eventually be filed by the Burlington Northern. Since the line appears to be unprofitable and a strong economic or social case cannot be made for continuing rail service, the Department will not oppose the abandonment of this line.

13. RELATIONSHIP OF DECISION TO EVALUATION CRITERIA

The decision not to oppose abandonment of service on this line is based on the following criteria given in the Montana Planning Work Statement, dated June 1979.

- The line does not have long-term economic viability.
- The economic impacts of abandonment are negligible.
- Little community impact would result from abandonment.
- Abandonment would cause only very small changes in energy use and other environmental factors.
- The line is not essential to the state or regional rail network.
- Alternative modes are available.

TABLE 16A

EVALUATION OF ALTERNATIVE IMPLEMENTATION OPTIONS

<u>Alternative</u>	<u>Present Value of Costs^{1/}</u>			<u>Ratio^{2/}</u>	
	<u>First Quarter</u>	<u>First Year</u>	<u>Total 20 yrs</u>	<u>First Year</u>	<u>Over 20 yrs</u>
<u>Abandon the Entire Line</u>	0	0	0		
<u>Retain Rail Service</u>					
1978 traffic, w/o rehab.	38,821	151,322	1,693,757	0.00	0.00

^{1/} Parenthesis indicates that revenues exceed costs; hence alternative is profitable. Data source: Detailed Summary of Economic Impacts (unpublished material). All costs in 1978 dollars.

^{2/} This ratio is the cost of abandoning the entire line divided by the cost of each of the continued rail service options. This ratio is analogous to a benefit-cost ratio.

Table 16B
DISTRIBUTIONAL ANALYSIS

Component Impact ^{1/}	Affected Group	Gain/Loss(\$000 ^{3/}) ^{2/}
1. Wage and Salary Loss ^{3/} in Affected Counties	General Populace	0
2. Offsetting Gains Else- where in Montana	Other Counties	0 -
3. Loss in Local Purchases in Affected Counties	Business Community	0
4. Offsetting Gains Else- where in Montana	Other Counties	0
5. Unemployment Payments	Employers throughout Montana	0
6. Income Tax Loss	State Government	0
7. Transport Cost Increase ^{5/}	Shippers	0
8. Increased Highway Main- tenance & Reconst.Cost	MDH	<u>4/</u>
9. Attributable Revenues Less Avoidable Costs ^{6/}	Shippers or Owning RR	-1,694
10. Opp. Costs Realized through Abandonment ^{7/}	Owning RR	+ 698

^{1/} Source for most data items: Detailed Summary of Economic impacts. Unpublished material.

^{2/} Present value over a 20-year period.

^{3/} Represents primary and secondary wage loss less any increases in local trucking employment.

^{4/} A detailed analysis of the impact of increased trucking on Route 287 has not been performed.

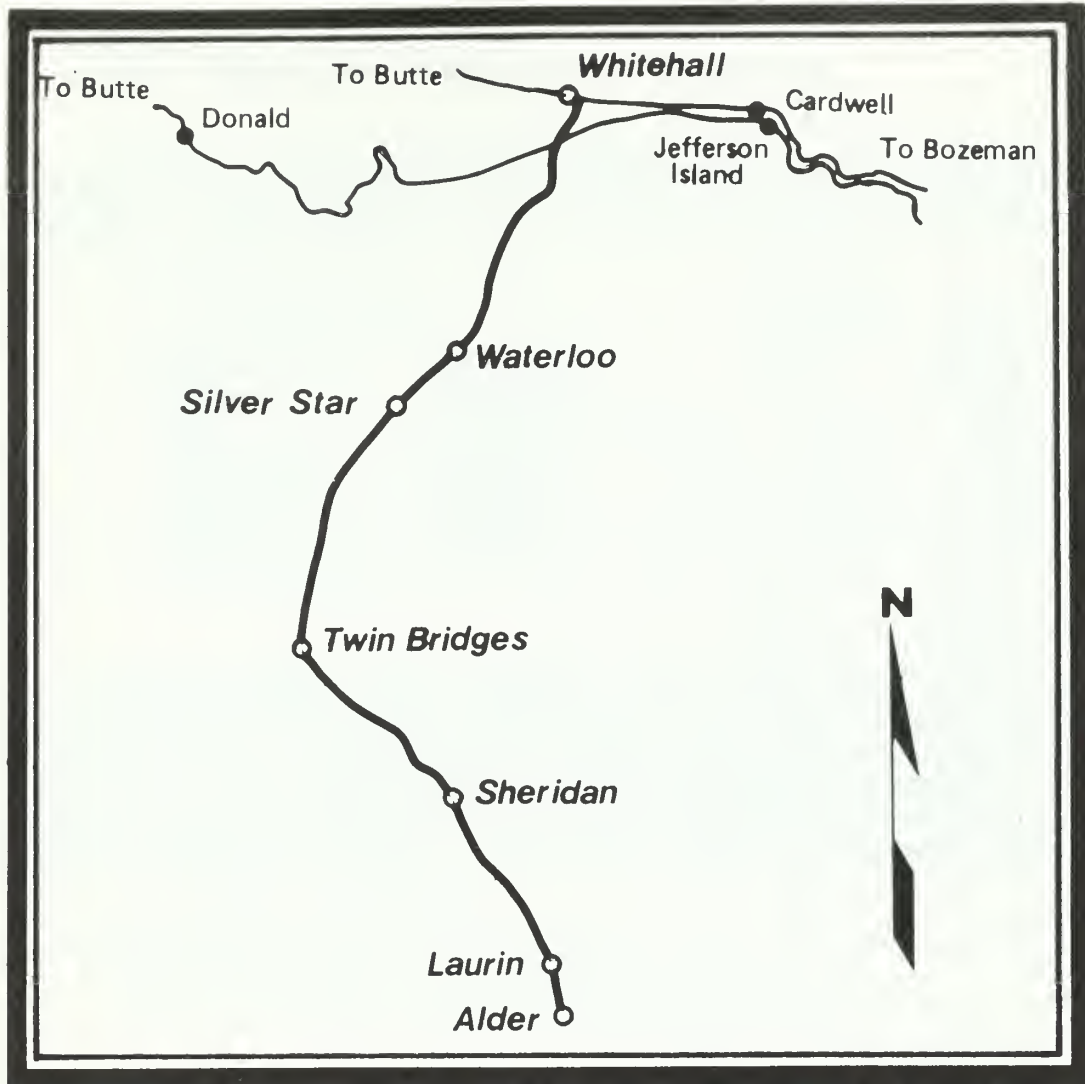
^{5/} For grain movements, combination of local trucking to nearby elevators and trucking to a river port for continuing movement by barge.

^{6/} Continued operation as at present without rehabilitation. 1978 traffic.

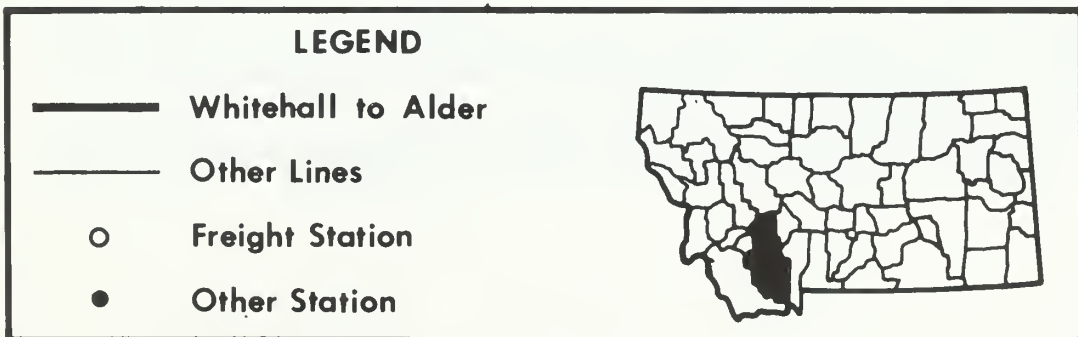
^{7/} Net salvage value invested at nine percent interest for 20 years.

Line 17

Whitehall to Alder



This line, the 14th Subdivision of the Burlington Northern's Rocky Mountain Division, extends from Whitehall (on the BN's 2nd Subdivision Main Line) to Alder, a distance of 45.6 miles in extreme southern Jefferson and Madison Counties. Currently, the line is classified on the ICC Systems Diagram Category 5 (lines for which abandonment is not presently contemplated by the owning railroad). The line is potentially eligible for federal financial assistance for the purpose of enhancing its long-term viability.



1. FREIGHT TRAFFIC AND CHARACTERISTICS OF SHIPPERS

The four rail-oriented firms located along this line reported shipping 711 carloads and receiving 45 carloads of the following commodities during 1979.^{1/}

<u>Commodity Type</u>		<u>Carloads</u>	<u>Tons</u>
Crushed Talc	Outbound	699	62,878
Wheat	Outbound	12	804
Feed	Inbound	3	201
Fertilizer	Inbound	6	480
Insulation	Inbound	5	75
Plywood	Inbound	1	40
Farm Implements	Inbound	30	600
		<u>756</u>	<u>65,078 tons</u>

The rail-oriented firms located on this line include a major mining and crushing operation accounting for most of the rail traffic, a farm implement dealer, a feed/fertilizer/seed supplier, and a hardware/lumber store. Talc shipments during 1979 were made to numerous locations throughout the country, primarily Nebraska and to Portland, Oregon for export to Japan. In past years, most of the wheat was shipped to Oregon for export.

2. REVENUES AND COSTS OF RAIL SERVICE

<u>Attributable Revenues</u>	<u>Year^{2/} 1978</u>	<u>Year^{2/} 1979</u>
1. Freight Originated and/or Terminated On-Branch	\$ 2,281,000	1,426,000
2. Switching.		
3. Demurrage.		
4. All Other.		
5. Total Revenues Attributable	<u>\$ 2,281,000</u>	<u>1,426,000</u>

^{1/} Commodity flow data supplied by the shippers located on this line. Burlington Northern records that 1683 and 1592 carloads originated or terminated on this line in 1977 and 1978, respectively.

^{2/} MDH estimates (Burlington Northern branchline account data not available). 1978 dollars.

2. REVENUES AND COSTS OF RAIL SERVICE (Continued)

<u>Avoidable Costs</u>	<u>Year^{1/} 1978</u>	<u>Year^{1/} 1979</u>
6. Off-Branch Costs	\$ 702,000	\$ 436,000
7. On-Branch Costs		
a. Maintenance of Way & Structures	\$ 257,000	\$ 257,000
b. Maintenance of Equipment	\$ 83,000	\$ 71,000
c. Traffic & Transportation	\$ 367,000	\$ 312,000
d. Taxes	\$ 27,000	\$ 27,000
e. Administrative	\$ 23,000	\$ 14,000
f. Miscellaneous	-	-
8. Total Avoidable Costs	\$ 1,459,000	\$ 1,117,000
9. Return on Value	\$ 360,000	\$ 357,000
10. Total Costs	\$ 1,819,000	\$ 1,474,000
11. Total Costs Less Revenue	(\$ 461,999)	\$ 48,000

3. CONDITION OF PLANT, EQUIPMENT AND FACILITIES

This line, a former Northern Pacific branch, consists of a single track with passing sidings at Twin Bridges and Sheridan.^{2/} The maximum gradient between Whitehall and Twin Bridges is less than 0.5 percent. From Twin Bridges, the line ascends at a one percent grade (compensated) to Sheridan where the grade descends before the final ascent into Alder. Maximum timetable speed is 40 mph. between Whitehall and Milepoint 24 and 20 mph. westbound/15 mph. eastbound between Milepoint 24 and Alder. The speed differential reflects 90-100 pound rail on the first section and 56 pound rail on the latter section.

^{1/} MDH estimates (Burlington Northern branchline account data not available). 1978 dollars.

^{2/} This line was originally known as the Ruby Valley Branch and once extended to Virginia City and Ennis.

A physical inspection of the line was conducted by Railway Multi-Engineering, Inc, for the MDH during April, 1980 with quantitative data samples being taken at seven locations and qualitative spot checks at several additional locations to verify the condition of track work and conditions. The line was found to be in fairly good condition with the major deficiencies being the need for the renewals and replacement of ineffective tie plates.^{1/}

The line is currently being operated at a Class II level, but it technically does not meet Class II standards. With one years maintenance, the line condition could be improved to Class II standards. The line could meet Class III standards with normal yearly maintenance and some additional work.^{2/} The annual cost for maintaining the Whitehall to Alder line at Class I or Class II standards is as follows:

<u>Whitehall to Alder</u>	<u>CLASS I</u>		<u>CLASS II</u>	
	<u>Unit Cost</u>	<u>Cost/Year</u>	<u>Unit Cost</u>	<u>Cost/Year</u>
Segment Length - 45.47 mi.	\$ 4,948	224,986	\$ 6,874	312,561
No. of Turnouts-22	544	11,968	544	11,968
TOTAL COST/YEAR		\$236,954		\$324,529
COST/MILE		5,211		7,137

The total salvage value of the line was estimated to be \$1,702,050. Take-up costs were estimated to be \$591,110 for a net salvage value of \$1,110,940 (\$24,432 per mile).

^{1/} For a more complete report on observed conditions, see pages 14 through 18 of the "Consultants' Report" dated May, 1980 prepared by Railway Multi-Engineering, Inc. for RCAI.

^{2/} Namely, replacement of missing tie plates and broken heel blocks at turnouts.

4. FUTURE FREIGHT SERVICE NEEDS

The key industry on this line is the talc mining and crushing operation located at Alder. Although a sizeable amount of the raw talc is transported by truck from the three mines to Three Forks and loaded onto railcars; management views continued rail service as essential to maintaining production levels at the Alder crushing facility. Loss of rail service on this branch line would result in a complete reliance upon truck transport of the crushed talc to the Burlington Northern mainline at Three Forks. This would in turn lead to price increases for crushed talc and could ultimately affect the local economy of Madison County through reduction in employment either at the mines or the crusher.

5. EFFECTS OF ABANDONMENT ON STATE TRANSPORTATION NEEDS

Products shipped or received on this line account for 0.2 percent of all traffic originating or terminating in Montana in 1979. Thus the impact of abandonment on the overall transportation needs of the state would appear to be small. This finding is somewhat misleading -- in fact abandonment would affect to some degree (1) the potential of future talc mining operations to the extent that this results in higher transshipment costs between crushing operations and the closest alternate railhead, due to the increased distance, and (2) state expenditures for maintaining and improving Route 287 which is used for hauling talc.

6. IMPACTS OF SUBSTITUTING ALTERNATE RAIL OR OTHER MODES

Alternate rail service is not feasible for this line. Present traffic volumes are insufficient to sustain operation by a short line railroad.

Shippers have indicated that they would use trucking in lieu of rail.

7. METHODS OF ACHIEVING ECONOMIES IN LINE OPERATIONS

This line is served three times per week (Mon-Wed-Fri) by three locomotives (GP-9's) and a four-man crew operating out of Butte. Further service reductions to achieve substantial operating economies do not appear to be possible.

8. EFFECTS ON OR BY PROFITABLE CARRIERS

No effect on any other rail carrier is anticipated from the abandonment or continued operation of this line.

9. POTENTIAL FOR RAIL BANKING

No rail banking is anticipated for this line.

Consolidation, pooling or joint use are not feasible on this line.

10. FUTURE OF THE LINE IN RELATION TO THE FEDERAL ASSISTANCE PROGRAM

Calculations made by the MDH using RSP0 costing principles indicated that attributable revenues exceeded avoidable costs in 1978, but were slightly less than avoidable costs in 1979.

No decision has been made by the Burlington Northern as to whether to seek the abandonment of this line. Limited federal financial assistance is available for enhancing the viability of light density lines or mitigating the effects of abandonment. Such assistance can be used for subsidizing operations, acquisition, rehabilitation or substitute service. (Projects involving acquisition, rehabilitation or substitute service are required to be the subject of a benefit-cost analysis resulting in the selection of those projects offering the greatest return.)

While this line did not, in RMEI's opinion, technically meet FRA Track Class I standards when inspected, the track can be brought into full compliance with Class I or II standards through normal maintenance (\$5,211/mile for Class I or \$7,137 for Class II). Since track rehabilitation is not required, it is unlikely that MDH will seek federal financial assistance for this line in the near future.

11. DESCRIPTION OF ALTERNATIVES EVALUATED: RESULTS

No non-rail alternatives other than abandonment have been evaluated. Over 95 percent of the traffic originated or terminated at the last station in both 1977 and 1978, thus making segmentation of the line infeasible.

In regard to continued rail service, the only investment option is to retain present rail service without rehabilitation. Only one traffic scenario (present traffic) has been evaluated.

The results obtained from evaluating the above options/scenarios are shown on Tables 17A and 17B. Table 17A shows (1) the present value of costs over three different time periods and (2) the ratio of the cost of discontinuing rail service divided by the cost of continuing rail service. The latter is essentially a benefit-cost ratio showing the economic efficiency of the different investment, operational and traffic possibilities considered. Table 17B presents a distributional analysis of the gains and losses experienced by various groups over a 20 year time period, were rail service discontinued. The figures shown are based upon component calculations made in determining the cost of discontinuing rail service.

12. OVERALL LIGHT DENSITY LINE ASSESSMENT

Based on MDH calculations (Burlington Northern branchline account records were not available), the line appears to earn about \$207 thousand per year with present traffic (in this case, an average of 1978 and 1979 traffic). The profitability of this line does appear to vary with the amount of talc shipped out of the Alder crushing facility, however.

Since the line is basically profitable, the Department does not anticipate that an abandonment application will be filed by the Burlington Northern. Utilization of Section 803 funding to rehabilitate this line does not appear to be necessary, since required work can be accomplished through the normal annual maintenance program.

13. RELATIONSHIP OF DECISION TO EVALUATION CRITERIA

The decision to oppose abandonment of service on this line is based on the following criteria given in the Montana Planning Work Statement, dated June 1979.

- The line does have economic viability.
- The economic impacts of abandonment are sizeable in terms of potential transport cost increases and highway system impacts.
- Abandonment would cause a sizeable increase in energy use from increased truck volumes.

TABLE 17A

EVALUATION OF ALTERNATIVE IMPLEMENTATION OPTIONS

<u>Alternative</u>	<u>Present Value of Costs</u> ^{1/}			<u>Ratio</u> ^{2/}	
	<u>First Quarter</u>	<u>First Year</u>	<u>Total 20 yrs</u>	<u>First Year</u>	<u>Over 20 yrs</u>
<u>Abandon the Entire Line</u>	\$ 26,469	\$ 94,654	\$1,029,487		
<u>Retain Rail Service</u>					
1978 traffic, w/o rehab.	\$(113,513)	(442,473)	(4,952,631)	<u>3/</u>	<u>3/</u>
1979 traffic, w/o rehab.	\$ 11,794	45,971	514,559	2.06	0.50

^{1/} Parenthesis indicates that revenues exceed costs; hence alternative is profitable. Data source: Detailed Summary of Economic Impacts (unpublished material). All figures are 1978 dollars.

^{2/} This ratio is the cost of abandoning the entire line divided by the cost of each of the continued rail service options. This ratio is analogous to a benefit-cost ratio.

^{3/} Not applicable, since the line earns a profit if traffic remains at this level.

Table 17B
DISTRIBUTIONAL ANALYSIS

Component Impact ^{1/}	Affected Group	Gain/Loss(\$000 ^{3/}) ^{2/}
1. Wage and Salary Loss ^{3/} in Affected Counties	General Populace	0
2. Offsetting Gains Else- where in Montana	Other Counties	0
3. Loss in Local Purchases in Affected Counties	Business Community	0
4. Offsetting Gains Else- where in Montana	Other Counties	0
5. Unemployment Payments	Employers throughout Montana	0
6. Income Tax Loss	State Government	0
7. Transport Cost Increase	Shippers	-1,918
8. Increased Highway Main- tenance & Reconst.Cost	MDH	<u>4/</u>
9. Attributable Revenues Less Avoidable Costs ^{5/}	Shippers or Owning RR	+2,219
10. Opp. Costs Realized through Abandonment ^{6/}	Owning RR	+6,226

^{1/} Source for most date items: Detailed Summary of Economic impacts.
Unpublished material.

^{2/} Present value over a 20-year period.

^{3/} Represents primary and secondary wage loss less any increases in local
trucking employment.

^{4/} A detailed analysis of the impact of increased trucking on Route 287
has not been performed.

^{5/} Continued operation as at present without rehabilitation.

^{6/} Net salvage value invested at nine percent interest for 20 years.

Line 18

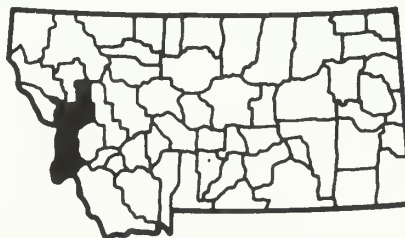
Missoula to Darby



This line, the 17th Subdivision of the Burlington Northern's Rocky Mountain Division, extends from Missoula (on the BN's 3rd Subdivision Main Line) to Darby, a distance of 65.9 miles in Missoula and Ravalli Counties. The line is currently categorized on the ICC Systems Diagram as Category 5 (lines for which abandonment is not presently contemplated by the owning railroad). The line is potentially eligible for federal financial assistance for the purpose of enhancing its long-term viability.

LEGEND

- Missoula to Darby
- Other Lines
- Freight Station
- Other Station



1. FREIGHT TRAFFIC AND CHARACTERISTICS OF SHIPPERS

The twelve, rail-oriented firms located along this line reported shipping 627 and receiving 96 carloads of the following commodities during 1979.^{1/}

		<u>1979</u>	
<u>Commodity Type</u>		<u>Cars</u>	<u>Tons</u>
Lumber (boards, dimension, studs)	Outbound	607	24,280
Fertilizer	Inbound	77	6,160
Wheat	Outbound	20	1,340
Feed Ingredients	Inbound	10	670
Insulation	Inbound	7	85
Roofing Materials	Inbound	2	100
TOTAL		723	32,635

Of this traffic, 46 carloads were reported originating or terminating at Stevensville, 70 carloads at Hamilton, and 607 carloads at Darby.

Burlington Northern records indicated that 40 carloads originated or terminated at Stevensville, 65 carloads at Hamilton, and 986 carloads at Darby in 1978. Similar records for 1977 indicated that 51, 80, and 333 carloads originated or terminated at Stevensville, Hamilton, and Darby, respectively. Additional traffic at Victor, Corvallis, and Charlos Heights amounted to 118 carloads during 1978 and 156 carloads during 1977.^{2/} In 1979, little or no activity was reported at these same stations. This inactivity is due to the fact that sugar beet and vermiculite ore shipments from Corvallis and Victor were curtailed. Vermiculite mining operations near Victor are currently being upgraded and production is expected to resume in the near future. Traffic from the Victor area amounted to 100 and 83 carloads during 1977 and 1978, respectively.

^{1/} Commodity flow data supplied by the shippers located on this line.

^{2/} Burlington Northern Shipment records.

The two largest shippers on this line are lumber companies located near Darby, both of which manufacture board, stud and dimension lumber. A major portion of the stud and dimension lumber produced was shipped to the northeast. Board and dimension lumber was generally shipped to Midwestern states. Recent slowdowns in the building industry have resulted in cutbacks in lumber production at both of these operations. Rail remains the dominant mode of long-distance transport of lumber; however, significant amounts of lumber are transported within the inter-mountain region and to plains states by truck.

Grain dealers located on this line ship wheat primarily to the west coast (Portland and Vancouver). Rail transport continues to be the primary way of moving wheat produced within Ravalli County although some diversion to truck/barge shipments through the river ports in Idaho and Washington has occurred in recent years.

2. REVENUES AND COSTS OF RAIL SERVICE

<u>Attributable Revenues</u>	<u>Year^{1/}</u> <u>1978</u>
1. Freight Originated and/or Terminated On-Branch	\$ 977,000
2. Switching.	
3. Demurrage.	
4. All Other.	
5. Total Revenues Attributable	\$ 977,000
<u>Avoidable Costs</u>	
6. Off-Branch Costs	\$ 595,000
7. On-Branch Costs	
a. Maintenance of Way & Structures	\$ 378,000
b. Maintenance of Equipment	\$ 73,000
c. Traffic & Transportation	\$ 99,000
d. Taxes	\$ 39,000
e. Administrative	\$ 10,000
f. Miscellaneous	-

^{1/} MDH estimates (Burlington Northern branchline account data not available). 1978 dollars.

2. REVENUES AND COSTS OF RAIL SERVICE (Continued)

<u>Attributable Revenues</u>	Year ^{1/} 1978
8. Total Avoidable Costs	\$ 1,194,000
9. Return on Value	174,000
10. Total Costs	\$ 1,368,000
11. Total Costs Less Revenue	\$ 391,000

3. CONDITION OF PLANT, EQUIPMENT AND FACILITIES

This line, a former Northern Pacific branch, consists of a single track with passing sidings located at Lolo, Victor, Corvallis and Hamilton. The line runs through a river valley with a one percent ruling grade ascending towards Darby. Maximum speeds are 35 mph. between Florence and Hamilton and 30 mph. from Missoula to Florence and Hamilton to Darby.

A physical inspection of the line was conducted by Railway Multi-Engineering, Inc. for the MDH during April, 1980, with quantitative data samples being taken at eleven locations and qualitative spot checks at additional locations to verify the consistency of track work and conditions. The line was found to be in fairly good condition; the major deficiencies being required tie renewals and ballasting.^{2/}

The Missoula - Darby line does not technically meet Class III standards. Normal yearly maintenance and some additional work could bring this line up to Class III standards.

The total salvage value of the line was estimated to be \$3,036,105. Take-up costs were estimated to be \$838,890 for a net salvage value of \$2,197,215.

^{1/} MDH estimates (Burlington Northern branchline account data not available). 1978 dollars.

^{2/} For a more complete report on observed conditions see pages 7 through 13 of the "Consultants' Report" dated May, 1980, prepared by Railway Multi-Engineering, Inc. for RCAI.

4. FUTURE FREIGHT SERVICE NEEDS

This line serves, in part, one of the more important timber and lumber producing areas of Montana. As long as rail service is provided, shippers on the line, especially the major shippers at Darby, will continue to utilize rail service. Long distance transport of lumber by rail will remain the most economical and energy efficient mode of moving large quantities of this bulk commodity. In recent years, trucks have been utilized to a greater extent than ever before. Most of the truck shipments made during 1979 were to inter-mountain outlets, located in Colorado and Utah, and to the Midwest.

The potential for growth in rail traffic is present on this line. Favorable economic conditions could provide the necessary stimulus for a resurgence of activity within the building industry. A situation such as this, would probably result in increased lumber production and additional rail traffic would be generated. In addition, a vermiculite mining operation is located near Victor. Vermiculite, which is used in the manufacture of thermal and acoustic insulations, as concrete aggregate, and for fire-proofing material, is a commodity which could be in demand in the future given a favorable marketing situation. The present operation is being upgraded and production should begin again in the near future. Long distance transport of vermiculite by any means other than rail is not economically feasible.

It seems apparent that a long-term need for rail service does exist on this line. Loss of the rail line would probably hinder additional development in both of the previously mentioned situations. Due to the bulky nature of both commodities, it is doubtful that area interests will be best served over the long-term by a total dependence upon motor carrier transport.

5. EFFECTS OF ABANDONMENT ON STATE TRANSPORTATION NEEDS

Products shipped or received on this line account for 0.2 percent of all traffic originating or terminating in Montana in 1979. Thus, the overall impact of abandonment on the transportation needs of the state would be minimal.

6. IMPACTS OF SUBSTITUTING ALTERNATE RAIL OR OTHER MODES

The impact of substituting motor carrier transport varies by shipper. The transition to truck shipments could be easily accomplished by most shippers on the line.

The lumber manufacturers would probably truck lumber to the closest alternate rail station (Missoula) and then ship to final destinations by rail. This would also be the most likely alternative for the vermiculite mining operation, near Victor.

Cessation of service on this line would have a significant impact on US93 between Darby and Missoula. Volumes on this road range from 2000 to 7000 vehicles per day on two-lane sections and 8,000 to 10,000 vehicles per day on four-lane sections. These volumes are rather high by Montana standards. This route also has a relatively high accident rate. Since commercial vehicles already comprise 12 to 15 percent of the vehicle mix, increasing heavy truck movements on this highway would further compound existing local resident frustrations and annoyance with this highway. The Department has not been able to completely upgrade deficient portions between Victor and Darby.

7. METHODS OF ACHIEVING ECONOMIES IN LINE OPERATIONS

This line has, in the past, been served once per week (Thursday) by two locomotives (GP-9's) and a four-man local crew operating out of Missoula. Further service reductions to achieve substantial operating economies do not appear possible.

Consolidation, pooling, or joint use are not feasible on this line.

8. EFFECTS ON OR BY PROFITABLE CARRIERS

No effect on any other rail carrier is anticipated from the abandonment or continued operation of this line.

9. POTENTIAL FOR RAIL BANKING

No rail banking is anticipated for this line at this time, although such action might be considered as a means of preserving future rail access to the lumber-producing areas near Darby and the mining operation near Victor.

10. FUTURE OF THE LINE IN RELATIONSHIP TO THE FEDERAL ASSISTANCE PROGRAM

Calculations made by the MDH using RSPD costing principles indicate that attributable revenues are less than avoidable costs in 1979.

No decision has been made by the Burlington Northern as to whether to seek the abandonment of this line. Limited federal financial assistance is available for enhancing the viability of light density lines or mitigating the effects of abandonment. Such assistance can be used for subsidizing operations, acquisition, rehabilitation or substitute service. (Projects involving acquisition, rehabilitation, or substitute service are required to be the subject of a benefit-cost analysis resulting in the selection of those projects offering the greatest return).

While this line did not, in RMEI's opinion, technically meet FRA Track Class III standards when inspected, the track can be brought into full compliance with Class III standards through normal maintenance. The only additional work identified is the reworking of turnouts. Since major track rehabilitation is not required, it is unlikely that MDH will seek federal financial assistance for this line in the near future.

11. DESCRIPTION OF ALTERNATIVES EVALUATED: RESULTS

No non-rail alternatives other than abandonment have been evaluated. Over 80 percent of the traffic originated or terminated at the last station in 1978 thus, making segmentation of the line infeasible.

In regard to continued rail service, the only investment option is to retain present rail service without rehabilitation. Only one traffic scenario (present traffic) has been evaluated.

The results obtained from evaluating the above options/scenarios are shown on Tables 18A and 18B. Table 18A shows (1) the present value of costs over three different time periods and (2) this ratio of the cost of discontinuing rail service divided by the cost of continuing rail service. The latter is essentially a benefit-cost ratio showing the economic efficiency of the different investment, operational and traffic possibilities considered. Table 18B presents a distributional analysis of the gains and losses experienced by various groups over a 20 year period, were rail service discontinued. The figures shown are based upon component calculations made in determining the cost of discontinuing rail service.

12. OVERALL LIGHT DENSITY LINE ASSESSMENT

Based on MDH calculations (Burlington Northern branchline account records were not available), the line appears to have lost approximately \$374 thousand in 1979. However, traffic levels in 1979 were substantially below those occurring in 1978.

While the line is presently unprofitable, the growth prospects are such that the Department does not anticipate that an abandonment application will be filed by the Burlington Northern. Utilization of Section 803 funding to rehabilitate this line does not appear to be necessary, since required work can be accomplished through the normal annual maintenance program.

13. RELATIONSHIP OF DECISION TO EVALUATION CRITERIA

The decision to oppose abandonment of service on this line is based on the following criteria in the Montana Planning Work Statement, dated June 1979.

- The line does have economic viability.
- The economic impacts of abandonment are sizeable in terms of potential transport cost increases and highway system impacts.
- Abandonment could cause a sizeable increase in energy use from increased truck volumes.

TABLE 18A
EVALUATION OF ALTERNATIVE IMPLEMENTATION OPTIONS

<u>Alternative</u>	<u>Present Value of Cost</u> ^{1/}			<u>Ratio</u> ^{2/}	
	<u>First Quarter</u>	<u>First Year</u>	<u>Total 20 yrs</u>	<u>First Year</u>	<u>Over 20 yrs</u>
<u>Abandon the Entire Line</u>	\$ 16,762	\$ 59,939	\$ 651,922		
<u>Retain Rail Service</u>					
1978 traffic, w/o rehab	\$ 96,069	\$ 374,475	\$ 4,191,514	0.16	0.16

^{1/} Parenthesis indicates that revenues exceed costs; hence alternative is profitable. Data source: Detailed Summary of Economic Impacts (Unpublished material). All figures in 1978 dollars.

^{2/} This ratio is the cost of abandoning the entire line divided by the cost of each of the continued rail service options. This ratio is analogous to a benefit-cost ratio.

TABLE 18B

DISTRIBUTIONAL ANALYSIS

Component Impact ^{1/}	Affected Group	Gain/Loss(\$000 ³) ^{2/}
1. Wage and Salary Loss ^{3/} in Affected Counties	General Populace	0
2. Offsetting Gains Else- where in Montana	Other Counties	0
3. Loss in Local Purchases in Affected Counties	Business Community	0
4. Offsetting Gains Else- where in Montana	Other Counties	0
5. Unemployment Payments	Employers throughout Montana	0
6. Income Tax Loss	State Government	0
7. Transport Cost Increase	Shippers	-1,215
8. Increased Highway Main- tenance & Reconst.Cost	MDH	<u>4/</u>
9. Attributable Revenues Less Avoidable Costs ^{5/}	Shippers or Owning RR	+4,192
10. Opp. Costs Realized through Abandonment ^{6/}	Owning RR	+12,314

^{1/} Source for most data items: Detailed Summary of Economic impacts. Unpublished material.

^{2/} Present value over a 20-year period.

^{3/} Represents primary and secondary wage loss less any increases in local trucking employment.

^{4/} A detailed analysis of the impact of increased trucking on Route 93 has not been performed.

^{5/} Continued operation as at present without rehabilitation.

^{6/} Net Salvage value invested at nine percent interest for 20 years.

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